亞洲聯網科技有限公司

Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0679)

2018
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS
LAM Kwok Hing *M.H., J.P.*
(Chairman & Managing Director)
NAM Kwok Lun *(Deputy Chairman)*
KWAN Wang Wai Alan
(Independent Non-executive Director)
NG Chi Kin David
(Independent Non-executive Director)
CHEUNG Kin Wai
(Independent Non-executive Director)

AUDIT COMMITTEE
CHEUNG Kin Wai *(Committee Chairman)*
KWAN Wang Wai Alan
NG Chi Kin David

REMUNERATION COMMITTEE
KWAN Wang Wai Alan *(Committee Chairman)*
NAM Kwok Lun
NG Chi Kin David

NOMINATION COMMITTEE
LAM Kwok Hing *M.H. J.P. (Committee Chairman)*
NG Chi Kin David
CHEUNG Kin Wai

COMPANY SECRETARY
YUNG Wai Ching

AUTHORISED REPRESENTATIVES
LAM Kwok Hing *M.H., J.P.*
NAM Kwok Lun

AUDITOR
Deloitte Touche Tohmatsu

LEGAL ADVISOR
Sidley Austin

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

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SHARE REGISTRARS AND TRANSFER OFFICES

PRINCIPAL REGISTRAR AND TRANSFER OFFICE:
MUFG Fund Services (Bermuda) Limited
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HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE:
Tricor Secretaries Limited
Level 22, Hopewell Centre
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Hong Kong

CORPORATE WEBSITE
www.atnt.biz

LISTING INFORMATION
Listing on the Hong Kong Stock Exchange (Main Board)
Stock Short Name: Asia Tele-Net
Stock Code: 679
Board Lot Size: 10,000 shares

Chairman's Statement and Management Discussion and Analysis

FINANCIAL RESULTS

During the year ended 31 December 2018 ("the Period Under Review"), the Group recorded profit attributable to owners of the Company of approximately HK$84,513,000 compared to the profit attributable to owners of the Company of approximately HK$209,483,000 for the year ended 31 December 2017 ("the Previous Period"), representing approximately 59.7% decrease. The significant drop in Group's profit attributable to owners of the Company during the Period Under Review was primarily due to (i) the gross profit for the Period Under Review was much lower than that of the Previous Period; (ii) the net loss in fair value of investments held for trading arising from the Period Under Review has increased; (iii) the increase in fair value of deferred consideration for the Period Under Review was much less than the increase recorded in Previous Period and hence a drop in profit when compared to Previous Period.

The basic earnings per share for the Period Under Review was HK$0.20 compared to the basic earnings per share of HK$0.49 for the Previous Period.

FINANCIAL REVIEW

Revenue

The revenue for the Period Under Review was approximately HK$342,750,000 or 57.2% less than the Previous Period. Lower revenue reported during the Period Under Review was mainly due to decreased sales in high-end communication device and automobile.

In terms of business segment, approximately 77.2% of the revenue was generated from PCB sector (the Previous Period: approximately 83.7%), and approximately 22.8% came from surface finishing sector (the Previous Period: approximately 16.3%).

In terms of the machines geographical installation base, the revenue composition during the Period Under Review was 59.6% machine values were installed in PRC (the Previous Period: 46.7%), 20.2% in Taiwan (the Previous Period: 30.2%), 3.6% in Thailand (the Previous Period: 5.9%), 3.1% in the USA (the Previous Period: 2.5%), 2.3% in the India (the Previous Period: 3.1%), 2.0% in Russia (the Previous Period: 0%), and 9.2% in rest of the world.

Gross Profit

Notwithstanding to the above, the Group recorded an improvement in the average gross profit margin from 12.9% in Previous Period to 16.9% for the Period Under Review, which is mainly attributable to completion of jobs with higher gross profit margin and costs spent on debugging technical issues arising from the new electroplating equipment named SCP line was much reduced.

Chairman's Statement and Management Discussion and Analysis

Gain on remeasurement of Deferred Consideration in the Previous Period

References are made to (i) page 4 of 2016 annual report with respect to a gain on recognition of Deferred Consideration of approximately HK$999,560,000 for the rights to receive titles of 41,000 sq.m marketable residential and commercial properties pursuant to agreements signed in October 2011 and (ii) the announcement of the Company dated 4 January 2017 in relation to the entering of the supplemental agreements ("Supplemental Agreements"). Following the announcement, a circular was issued on 15 February 2017 ("Circular") and an extraordinary general meeting was held on 2 March 2017 to approve the Supplemental Agreements. Under the terms of the Supplement Agreements, instead of receiving titles of 41,000 sq.m marketable residential and commercial properties, the Group will receive the guaranteed cash consideration of RMB1.23 billion ("Guaranteed Cash Consideration") and rights to receive the additional cash consideration ("Additional Cash Consideration") if the average selling price is higher than RMB30,000 (net of value-added taxes) or RMB33,710 (inclusive of value-added taxes). As the terms of the Supplemental Agreement are materially different from the terms of the transactions previously approved by the Shareholders of the Company on 13 October 2011 for which the gain of HK$999,560,000 was calculated, the Company has appointed an independent valuation company to determine the fair value for the rights entitled by the Group under the Supplemental Agreements.

Based on the valuation report issued in 2017, the fair value for the rights entitled under the Supplemental Agreements as at 31 December 2017 was more than the carrying value of the Deferred Consideration as at 31 December 2016 by approximately HK$194,704,000. This was originally disclosed in 2017 annual report and was restated in this report to approximately HK$136,557,000 by excluding (i) the imputed interest for the Guaranteed Cash Consideration, (ii) increase in fair value for the Additional Cash Consideration and (iii) the revaluation effect due to exchange rate movement.

Other gains and losses of approximately HK$46,290,000

This represented (a) Net change in unrealized fair value loss of held-for-trading investments of approximately HK$19,101,000 (the Previous Period: gain of HK$754,000) (b) net exchange gain of approximately HK$8,198,000 (the Previous Period: loss of HK$ HK$8,986,000) (c) nil adjustment on non-current of provision the provision of performance bonus to the executive directors of the Company (the Previous Period: HK$2,335,000) and (d) gain on change in fair value of Additional Cash Consideration of approximately HK$57,258,000 (the Previous Period: HK$58,147,000).

(a) Net change in unrealized fair value loss of held-for-trading investments was approximately HK$19,101,000 (the Previous Period: gain of HK$754,000)

All held-for-trading investments were recorded at fair value as at 31 December 2018 and represented listed securities in Hong Kong. The significant increase in unrealized fair value loss was primarily attributable to the unexpectedly volatile stock market in Hong Kong in year 2018. During the Period Under Review, Hang Seng Index dropped from 29,919 as at 31 December 2017 to 25,846 as at 31 December 2018.

Below are information of the Group's held-for-trading investments as at 31 December 2018:

Company Name/Stock Code	% of shareholding as at 31 December 2018	Fair value change HK$'000	**Fair value as at 31 December 2018 HK$'000**	**% of Total Assets of the Group as at 31 December 2018**	Fair value as at 31 December 2017 HK$'000	% of Total Assets of the Group as at 31 December 2017
Shanghai Industrial Urban Development Group Ltd. (563)	0.13%	(3,660)	**7,747**	**0.41%**	11,407	0.56%
South China Financial Holdings Ltd. (619)	0.91%	(4,131)	**1,790**	**0.09%**	5,921	0.29%
South China Holdings Company Ltd (413)	0.20%	(3,182)	**5,177**	**0.27%**	8,359	0.41%
Orient Victory Travel Group Company Ltd. (265)	0.38%	(4,898)	**8,924**	**0.47%**	13,822	0.68%
South China Assets Holdings Ltd (8155)	0.45%	(1,412)	**1,412**	**0.07%**	2,824	0.14%
Bonjour Holdings Ltd (653)	0.42%	(141)	**2,938**	**0.15%**	–	N/A
Others		(1,677)	**1,143**	**0.07%**	2,820	0.15%
Total		(19,101)	**29,131**	**1.53%**	45,153	2.23%

(b) Net exchange gain was approximately HK$8,198,000 (the Previous Period: loss of HK$8,986,000)

The net exchange gain was mainly due to (i) the exchange gain of approximately HK$5,824,000 arising from intercompany transactions and (ii) exchange gain of approximately HK$310,000 arising from transactions and revaluation of Euro-based receivables, payables and bank balances.

The production arm of the Group is based in China and normally bills the sales arm of the Group in Hong Kong Dollars. During the Period Under Review, RMB was depreciated by approximately 4.6% and hence the production arm of the Group recorded an exchange gain arising from the receivable which was denominated in Hong Kong dollars.

During the Period Under Review, Euro was depreciated by approximately 4.0%. The Group recorded an exchange gain from transactions and revaluation of Euro-based receivables, payables and bank balances.

(c) Adjustment on non-current of provision the provision of performance bonus to the executive directors of the Company of approximately HK$2,335,000 in the Previous Period

As at 31 December 2017, the non-current payable portion of provision of approximately HK$44,647,000 (31 December 2016: HK$29,854,000) represents the provision of performance bonus to the executive directors of the Company which is determined by the board of directors of the Company with reference to the Net Gain In Relation To The Longhua Project. With the Supplemental Agreements become effective, the estimated timing of payment of the non-current portion of provision is revised and as such an adjustment of provision of approximately HK$2,335,000 was charged to profit or loss during the period ended 31 December 2017.

There was no such adjustment for the Period Under Review.

(d) Gain on change in fair value of Additional Cash Consideration of approximately HK$57,258,000

The Company has appointed an independent valuation company to determine the fair value for the Additional Cash Consideration under the Supplemental Agreements. Based on the valuation received, the Group has recorded a gain of approximately HK$57,258,000 (the Previous Period: HK$58,147,000).

Net gain in relation to the Longhua Project

As can be seen above, various incomes and expenses in relation to the property re-development plan in Longhua were recorded in the Period Under Review and the Previous Period. In order to help the shareholders to understand the overall impact, we have prepared a summary table below:–

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Under "Other Income" – Imputed interest income on Guaranteed Cash Consideration	**160,309,000**	113,786,000
Under "Administrative expenses" – Provision for directors' bonus	**(4,192,000)**	(11,269,000)
Under "Finance cost" – Imputed interest on non-current portion of provision for performance related incentive payments	**(1,696,000)**	(1,189,000)
Under "Gain on remeasurement of Deferred Consideration"	**–**	136,557,000
Under "Other gains or losses" – Gain on change in fair value of Additional Cash Consideration	**57,258,000**	58,147,000
Under "Impairment loss allowance for financial assets, net" – Impairment loss allowance for Guaranteed Cash Consideration"	**(9,638,000)**	–
Under "Other gains or losses" – Adjustment on non-current portion of provision	**–**	(2,335,000)
Under "Taxation"	**(51,982,000)**	(60,999,000)
Net gain in relation to the Longhua Project	**150,059,000**	232,698,000

Chairman's Statement and Management Discussion and Analysis

Other income of approximately HK$166,901,000

This represented (a) interest and fees arising from loan receivables of approximately HK$3,552,000 (the Previous Period: HK$2,572,000) (b) interest received from bank deposits of approximately HK$1,540,000 (the Previous Period: HK$1,686,000) (c) imputed interest income of approximately HK$160,309,000 (the Previous Period: HK$113,786,000).

(a) Interest and fees arising from loan receivables

Reference is made to the announcement of the Company dated 31 October 2016 and the circular dated 20 December 2016 in relation to the provision of revolving loan. On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with Karl Thomson Financial Group Limited (the "Borrower"), pursuant to which the Lender has agreed to provide a revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term from 6 January 2017 to 30 October 2019 (the "Loan Facility Agreement").

Pursuant to the Loan Facility Agreement, the Group has received interest income of approximately HK$3,538,000 (the Previous Period: interest income and handling fee income of approximately HK$2,182,000 and HK$390,000 respectively) from the Borrower and included in other income during the year.

(b) Interest received from bank deposits

Interest income from bank deposits was approximately HK$1,540,000 (the Previous Period: HK$1,686,000).

(c) Imputed interest income

Please refer to note 16 of the consolidated financial statements for more detailed explanation on the imputed interest income of approximately HK$160,309,000 (the Previous Period: HK$113,786,000)

Selling and Distribution Costs of approximately HK$17,738,000

The selling and distribution costs represented exhibition and marketing expenses, product and public liability insurance cost and the respective personnel cost on the sales team. Cost in 2018 was 11.1% lower than in 2017. It was mainly due to decrease in personnel related cost.

Chairman's Statement and Management Discussion and Analysis

Administrative expenses of approximately HK$104,540,000

The administrative expenses for the Period Under Review was 1.0% higher than the Previous Period. It was mainly due to the net effect of (a) decrease in provision for performance related incentive payments payable to executive directors of the Company, and (b) increase in general expenses.

(a) Provision for performance related incentive payments

Provision for performance related incentive payments is calculated by applying the pre-agreed percentage on the overall financial performance of the Group for a financial year and discounted to present value. Overall financial performance of the Group refers to the profit after taxes attributable to the owners of the company as reported in the annual report.

For the Period Under Review, provision for performance related incentive payments was approximately HK$4,192,000 (the Previous Period: HK$11,269,000). Such provision was based on the assumptions that the Company shall receive the guaranteed cash consideration of RMB1.23 billion and additional cash consideration in accordance with the agreed timetable and terms under the Supplemental Agreements (as defined below).

(b) Increase in general expenses

After taking out the provision for performance related incentive payments as disclosed above, the remaining administrative expenses was approximately HK$100,348,000 was 8.7% higher than the Previous Period (the Previous Period: HK$92,284,000). It was mainly due increase in staff cost and general office expenditure. In order to retain engineers in China, the Group has offered a higher than normal salary increments in 2018.

As a benchmark, the average inflation rates in China and Hong Kong for 2018 were 2.1%[1] and 2.4%[2] respectively.

Finance cost of approximately HK$1,699,000

This represented mainly the imputed interest expenses regarding the provision of performance related incentive payments of approximately HK$1,696,000 (the Previous Period: HK$1,189,000).

Since the provision for performance related incentive payments is discounted to present value, when the expected payment timetable comes closer, the present value of such incentive payments will be revised upwards. An imputed interest expense will arise accordingly.

[1] Inflation rate in China is reported by the National Bureau of Statistics of China.

[2] Inflation rate in Hong Kong is reported by Census and Statistics Department of Hong Kong.

Chairman's Statement and Management Discussion and Analysis

Taxation

Taxation of approximately HK$51,938,000 (the Previous Period: HK$70,504,000) represented mainly taxes paid by our wholly-owned subsidiaries in China and Taiwan.

As the Group recorded a gain in relation to the Longhua Project before tax approximately HK$202,041,000 (the Previous Period: HK$293,697,000), the Group recorded a corresponding estimated taxes of approximately HK$51,982,000 (the Previous Period: HK$60,999,000).

Exchange difference arising on translation of foreign operation of approximately HK$61,329,000

This represented mainly the exchange difference arising on translation of operations in the PRC due to the depreciation in RMB (of approximately HK$7,359,000) and revaluation of Deferred Consideration and corresponding deferred tax liability (of approximately HK$50,394,000). The currency translation reserve was increased at the same amount.

Deferred Consideration

Please refer to note 16 of the consolidated financial statements for more detailed explanation.

Loan receivable

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hoifu Energy Group Limited ("Hoifu"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hoifu. The Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 31 December 2018, a loan of HK$66,000,000 (the Previous Period: HK$60,000,000) net of impairment loss allowance of HK$990,000 (the Previous Period: nil) was drawn by KTFG in according to the terms of the loan facility agreement.

As reported in above, the total interest earned in relation to this loan was approximately HK$3,538,000 (the Previous Period: interest income and handling fee income of approximately HK$2,182,000 and HK$390,000 respectively). The average effective interest rate adopted during the Period Under Review is 5.125% (the Previous Period: 5%) per annum.

The carrying amount for each respective period is shown below:–

	As at 31/12/2018 HK$'000	As at 31/12/2017 HK$'000
Principal outstanding repayable within one year	66,000	–
Principal outstanding repayable after one year	–	60,000
Less impairment loss allowance (adoption of HKFRS9 as of 1 January 2018)	990	–
Net carrying amount	65,010	60,000

Held-for-trading investments under current assets

As at 31 December 2018, the Company had held-for-trading investment in listed securities in Hong Kong with a market value of approximately HK$29,131,000, representing an investment portfolio of fourteen listed equities in Hong Kong. The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board will continue to maintain a diversified investment portfolio across various segments of the market and also closely monitor the performance progress of its investment portfolio from time to time going forward.

Please also refer to above section named "Other gains and losses".

Creditors and accrued charges under current liability

The amount payable to creditors and accrued charges as at 31 December 2018 was HK$150,786,000 which was 46.7% lower than the Previous Period. The decrease was purely due to the decrease in 2018 revenue and the material ordered for 2019 orders on hands.

Accrued charges of approximately HK$48,092,000 under non-current liability

Please refer to note (a) of administrative expenses stated in above. It was related to provision for performance related incentive payments payable and was discounted to present value.

Contract assets

The Group is entitled to invoice customers for construction of custom-built electroplating machinery and other industrial machinery based on achieving a series of performance-related milestones. The contract assets represent the amount which the Group is entitled to claim against the customers for the work completed but not yet billed. They are not billed because the agreed performance-related milestones are still under processed. When a performance-related milestone of a certain project is completed, such related contract assets will be transferred to trade receivables.

Contract liabilities

From time to time, customers will pay to the Group various performance related milestone payments in accordance with accepted purchase orders or agreed contracts. Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has already received consideration from the customers.

Deferred taxation of approximately HK$360,447,000 under non-current liability

The Group has recorded a deferred taxation of approximately HK$356,132,000 as estimated taxation expenses in relation to the expected gain arising from the arrangement in relation to a site located at Longhua.

The balance of approximately HK$4,315,000 represented deferred tax liabilities recognized for accelerated tax depreciation of approximately HK$1,239,000 and revaluation of properties of approximately HK$3,076,000.

BUSINESS REVIEW ON ELECTROPLATING EQUIPMENT (UNDER THE TRADE NAME OF "PAL")

Electroplating Equipment-Printed Circuit Boards ("PCB") Sector

This sector is traded through our subsidiary Process Automation International Ltd ("PAL").

During the Period Under Review, the revenue in this business area decreased from HK$585,982,000 in Previous Period to HK$162,812,000, representing 72.2% decrease. Out of this total revenue, from the perspective of installation location, nearly 51.7% were shipments made to PRC (43.9% in Previous Period) and 26.7% were shipments made to Taiwan (34.5% in Previous Period).

In 2017, the market was expecting a big wave of demand over high-end smartphones from the launch of new models. Most of the suppliers in the smartphone manufacturing industry were therefore looking for capacity expansion, including our customers. As actual smartphone shipments made in 2017 was far less than their expectations, most of our customers were facing over capacity issue especially in first half of 2018. They have to re-arrange and deploy the purchased production lines for other products so that they can utilize the idle production capacity in 2018. The chain effect is we received less orders in 2018.

"Demand for entry-level and mid-price smartphones remained strong across markets, but demand for high-end smartphones continued to slow in the fourth quarter of 2018," said Anshul Gupta, senior research director at Gartner. "Slowing incremental innovation at the high end, coupled with price increases, deterred replacement decisions for high-end smartphones." This led to a flat-growth market in the fourth quarter of 2018 (see Table 1) and full year as a whole (see Table 2).

Chairman's Statement and Management Discussion and Analysis

Table 1 Worldwide Smartphone Sales to End Users by Vendor in 4Q18 (Thousands of Units)

Vendor	**4Q18 Units**	**4Q18 Market Share (%)**	4Q17 Units	4Q17 Market Share (%)
Samsung	**70,782.5**	**17.3**	74,026.6	18.2
Apple	**64,527.8**	**15.8**	73,175.2	17.9
Huawei	**60,409.8**	**14.8**	43,887.0	10.8
OPPO	**31,589.9**	**7.7**	25,660.1	6.3
Xiaomi	**27,843.6**	**6.8**	28,187.8	6.9
Others	**153,205.0**	**37.5**	162,908.8	39.9
Total	**408,358.5**	**100.0**	407,845.4	100.0

Due to rounding, numbers may not add up precisely to the totals shown

Source: Gartner (February 2019)

Table 2 Worldwide Smartphone Sales to End Users by Vendor in 2018 (Thousands of Units)

Vendor	**2018 Units**	**2018 Market Share (%)**	2017 Units	2017 Market Share (%)
Samsung	**295,043.7**	**19.0**	321,263.3	20.9
Apple	**209,048.4**	**13.4**	214,924.4	14.0
Huawei	**202,901.4**	**13.0**	150,534.3	9.8
Xiaomi	**122,387.0**	**7.9**	88,926.8	5.8
OPPO	**118,837.5**	**7.6**	112,124.0	7.3
Others	**607,049.0**	**39.0**	648,762.7	42.2
Total	**1,555,267.0**	**100.0**	1,536,535.5	100.0

Due to rounding, numbers may not add up precisely to the totals shown

Source: Gartner (February 2019)

Although 5G is on the road, its impact on equipment investment in 2019 will be immaterial and market at large believes that 5G impact will only be seen in 2020-2022.

Although the revenue of this sector dropped significantly in year 2018, the overall gross profit margin has improved due to product mix and internal cost control.

Chairman's Statement and Management Discussion and Analysis

Electroplating Equipment-Surface Finishing ("SF") Sector

This sector is traded through our subsidiary PAL Surface Treatment Systems Ltd ("PSTS").

The revenue of the SF sector has decreased by 57.8% from approximately HK$113,713,000 in the Previous Period to approximately HK$47,989,000 for the Period Under Review. Out of this total revenue, from the perspective of installation location, nearly 69.5% were shipments made to PRC (64.9% in Previous Period) and 8.2% were shipments made to Mexico (1.7% in Previous Period).

Our customers in this sector are mainly American and European multinational corporations and most of them operate in automobile industry. It is inevitable that the institution of trade war will bring negative impact on our customers and eventually on us as it hinders further investment in equipment or factory expansion.

Some American companies, especially those in the automotive business, are getting hurt by new tariffs from both the U.S. and China, according to a survey released in September 2018 from the American Chamber of Commerce in Shanghai and Beijing-based American Chamber of Commerce. U.S. automakers in China are feeling the most pain as U.S. imposes a 25 percent tariff on Chinese vehicles on top of the 2.5 percent it normally charges. In July 2018, China raised the tariff on imports of U.S. autos to 40 percent. The combined tariffs are reducing profits and increasing manufacturing costs for more than 60 percent of respondents in the automotive industry, the survey found. As a result of such business pressures, roughly half of respondents in the automotive industry said they are looking to source components or assembly outside of China and the U.S.

Bilateral tariffs alter global competitiveness to the advantage of firms operating in countries not directly affected by them. But the gains for some countries could be undermined by other aspects of the trade war, which has contributed to an economic slowdown in China and triggered volatility in global markets. Economic growth in China sank in the third quarter of 2018 to its lowest level since 2009, and analysts say that situation could worsen if the trade tensions don't end.

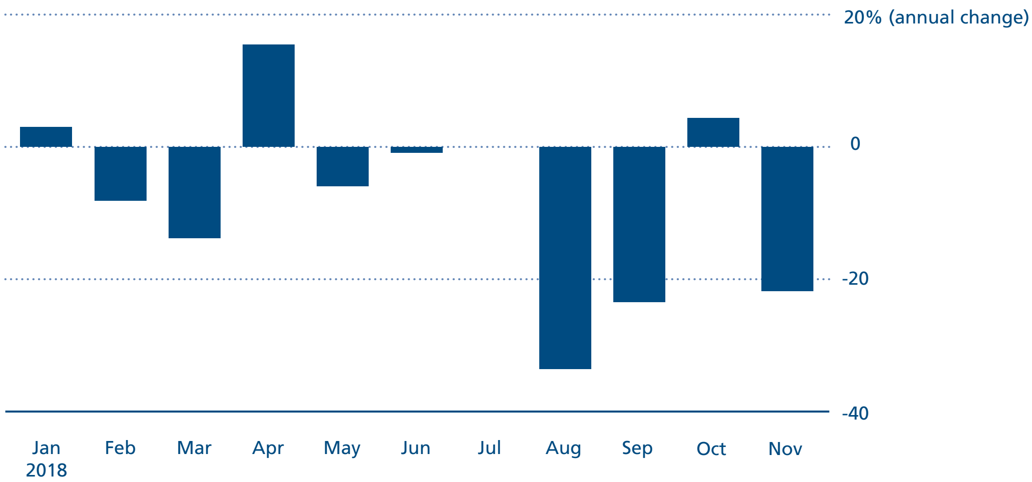
There were hearsays early last year that countries like Europe, Japan and Mexico will benefit from the US-China trade war. One year has gone and more and more evidence has pointed that both Japan and Europe are losing. The Finance Ministry in Japan has announced that Japan's exports in December 2018 and January 2019 fell at the fastest pace due to weak demand from China. While the overall euro area export of goods remains more or less the same, Europe will lose should U.S.-China relations deteriorate further due to weaker demand seen in Chinese market, chain effect and the product similarity between US and Europe.

The U.S. and China are the two biggest destinations for European Union exports outside the 28-nation bloc, and German carmakers including Volkswagen and BMW have already been hurt by weaker demand this year.

Chairman's Statement and Management Discussion and Analysis

Disappointing Exports

German car shipments slumped amid trade tensions and new emissions tests



Source: VDA

What worrying economists are not just the decrease in demand for car but the continuation of the weaken economic growth seen in China.

A significant portion of European businesses manufacture in China for U.S. customers. As a result, they are also hurt by Trump's tariffs, according to the European Union Chamber of Commerce in China. This is the chain effect on Europe from the US-China trade war.

Europe and the U.S. export similar goods to China – medical appliances and integrated circuits, for example. It is inevitable that China will purchase more U.S. products at the end of the US-China trade war negotiation and it will dent European export sales.

The end result is, due to the pressures faced by most of our customers as illustrated above, most of our customers have put a stop to their expansion plans while some postpones their investment decision pending US and China reach an amicable settlement to end the trade war in next few months. We have seen less quotation enquiries and a few projects are being put on hold or postponed shipment to 2019.

Outlook

Looking ahead, two main drivers of our equipment sales in PCB sector, namely mobile phones and automotive electronics, will remain weak and stagnant in 2019. The prolonged trade war continues to create doubt and worries in the market. Uncertainty is the greatest enemy in any capital investment decision. Nevertheless, the rise of foldable smartphone and IoT products do post an increased demand for flexible PCBs. It in turns creates demand for reel to reel electroplating machine. We will accelerate product development in this regard and will at the same time enhance our after-sales services. At times when customers are not willing to invest in capital equipment, their machines will need services and modification. This is an area which we intend to work on expansion to cover for the possible losses in equipment sales.

Chairman's Statement and Management Discussion and Analysis

Despite the setback we are experiencing in the equipment sales, the financial position of the Group is not deteriorating.

PROPERTY DEVELOPMENT

Property Re-development Plan in Longhua

Reference is made to the Company's announcements issued (i) on 22 August 2011 with respect to the agreement ("Agreement") entered into by a wholly-owned subsidiary of the Company with an independent third party ("Counter Party") in relation to a re-development plan ("Re-development") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC, of the Group ("Longhua Land") from industrial land into residential properties for resale; (ii) on 25 October 2013 with respect to the supplemental agreement signed, (iii) on 16 October 2014 with respect to the preliminary approval granted, (iv) on 26 October 2015 with respect to the second supplemental agreement signed, (v) on 30 November 2015 with respect to the final approval obtained for the construction plan and (vi) on 4 January 2017 with respect to the supplemental agreements ("Supplemental Agreements") which outlined the way to receive the expected consideration.

Progress made on the Re-development Plan in chronological order is updated below:

(1) The project company was established by the Counter Party in August 2011 ("Project Company").

(2) The Group has entered into a re-development contract ("Re-development Contract") and relocation compensation agreement ("Relocation Compensation Agreement") with the Project Company in September 2011.

(3) The Project Company has applied for re-development of the Longhua Land in September 2011. In view of the fact that the application was not completed within the agreed timeframe due to force majeure for the reason of the policy changes more particularly described in the Company's announcement dated 25 October 2013, the Group has entered into a supplemental agreement with the Counter Party on 25 October 2013 to extend the completion of tasks associated with the Agreement for another 12 months.

(4) On 16 October 2014, a notice was published by Urban Planning Land and Resources Commission of Shenzhen Municipality to confirm the re-development of the Longhua Land having been listed under "2014 Lot 4 Town re-development formulated plan of Shenzhen – Draft Plan".

(5) In view of the launch of the new requirements over calculation of land premium and that the fact that construction time is expected to take longer than it was originally contemplated in 2011, the Group and the Counter Party entered into second supplemental agreement on 26 October 2015 to extend the deadlines for various outstanding tasks.

Chairman's Statement and Management Discussion and Analysis

(6) In order to speed up the rest of the approval procedure and on the basis that all terms of the Agreement remain unchanged, the Counter Party has requested the Group to rent a factory and then vacate earlier from the Lung Hua Land. In exchange for such request, the Counter Party will compensate the Group on dollar-to-dollar basis for cost incurred for such relocation (including but not limited to rent and management fees for the new factory). The relocation was completed in 2015. The Group has passed the risk and management of the bare land to the Counter Party in late August 2015. As at 31 December 2015, the Group received in full the agreed relocation compensation of RMB50 million (approximately HK$59,960,000) and has recorded it as other income in year 2015.

(7) On 27 November 2015, the Project Company received an approval letter dated 25 November 2015 confirming that the Construction and Environment Review Committee had approved the planning proposal submitted by the Project Company. Based on the approved planning, the Land shall be re-developed into a comprehensive development site which can build up to a maximum floor area of 196,800 square metres, out of which the Group will receive titles and benefits of 41,000 square meters upon completion.

(8) The Project Company has received an investment registration certificate dated 1 February 2016 and a letter regarding the energy saving assessment dated 10 March 2016 from Shenzhen Long Hua New District Development and Finance Bureau.

(9) The Project Company has received a letter dated 9 May 2016 regarding environmental assessment from Shenzhen Bao'an District Environmental Protection and Water Bureau.

(10) The Project Company has received a land planning permit dated 10 August 2016 from the Urban Planning Land and Resources Commission of Shenzhen Municipality confirming that the Land shall be re-developed into a comprehensive development site comprising an office building, shops, public facilities required by local government and four to six blocks of residential buildings. Maximum floor area to be built is 196,800 sq.m. under which 172,627 sq.m. are marketable residential or commercial properties and 24,173 sq.m. are public facilities and subsidised residential units built on behalf of the local government.

(11) The Group returned the Longhua Land to the local government in August 2016 by entering an agreement with the local government and the Project Company.

(12) On 4 January 2017, the Group has entered the Supplemental Agreements with the Counter Party and the Project Company. Pursuant to the terms of the Supplemental Agreements, amongst others, the Group will receive a guaranteed consideration of RMB1,230,000,000 (net of value-added taxes) and the possibility to receive additional consideration if actual average selling price exceeds RMB30,000 sq.m. (net of value-added taxes) at the time of pre-sales.

(13) In March 2017, the Project Company has signed a sales of land use rights contract dated 21 March 2017 with the local government.

(14) In second half of 2017, the Project Company has obtained all required permits and construction was started.

(15) On 25 May 2018, Project Company has obtained the land certificate.

Chairman's Statement and Management Discussion and Analysis

As of today, construction has almost reached the top floor. The Project Company will apply for the pre-sales certificate in due course.

Progress in searching for another suitable site as our long-term production base

The Group has relocated its production base to a ready-built factory in Datianyan Industrial Zone, Songgan Street Committee, Baoan District (the "Songgan Factory") under a short term lease, which will expire in December 2019.

At the same time, the management team is searching for another suitable production site for the long term development and benefits of PAL. Our primary focus is to look for a site within Shenzhen region. Of course, given the current development in Shenzhen, it is not easy at all to find a spare land which will fit for our manufacturing purposes. Nevertheless, we will try our best and continue the land searching in Shenzhen region. Failing such, we have no choice but to look for a site near the outskirts but out of Shenzhen region. In the case where a suitable long-term production site is identified but the Group meets with any shortage of fund, the Company will consider fund raising options including but not limited to share subscription, right issue and issue of convertible bonds.

MATERIAL ACQUISITION AND DISPOSAL

Apart from the entering of Supplemental Agreements as elaborated above, the Group has not entered any material transaction during the Period Under Review.

BUSINESS STRATEGIES

Asia Tele-Net and Technology Corporation Limited, as our name tells, is an investment holding company based in Asia. As an investment holding company, we hold investments in various disciplines with particular strength in electroplating technologies. Through our brand "PAL", it is our mission to apply electroplating technologies in different applications or business segments so that the Group would grow segment by segment. This strategy would also help us to smooth out any, if not all, cyclical effect in one particular segment or particular market and hence to produce a more stable turnover and profitability level for the benefits of shareholders.

As an investment holding company, the Company from time to time will identify and evaluate business opportunities come along. The "Outline of the 12th Five-Year Plan for the National Economic and Social Development of the People's Republic of China" promulgated in March 2011 emphasizes the Central Government's support for Hong Kong's development into an offshore renminbi business centre and an international asset management centre. Together with the launch of "One-Road-One-Belt strategy", Hong Kong could bank on playing a "super-connector" role in the "Belt and Road" region that covers two-fifths of the world's land mass and is host to some 60 per cent of the world's population. Due to this unique positioning of Hong Kong, the Company believes that there will be many opportunities ahead especially in the financial industry. In addition, the record low price in commodities including crude oil price and other natural resources may present attractive acquisition opportunities.

In the normal course of identifying business opportunities, the Company from time to time engages in discussions with other independent third parties for possible business co-operations. At present, the Board confirms that there are no negotiations or agreements relating to any intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Chairman's Statement and Management Discussion and Analysis

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the Group had equity attributable to owners of the Company of approximately HK$1,278,693,000 (31 December 2017: HK$1,304,191,000). The gearing ratio was nil (31 December 2017: nil). The gearing ratio is calculated by dividing the aggregate amount of bank borrowings and other interest-bearing loans over the amount of equity attributable to the equity holders of the Company.

As at 31 December 2018, the Group had approximately HK$144,792,000 of cash on hand (31 December 2017: HK$169,116,000).

As at 31 December 2018, the Group pledged deposits of HK$3,315,000 (31 December 2017: HK$$3,236,000) to banks to secure the issuance of bank guarantee of the same amount. Total banking facilities available to the Group is HK$102,300,000 (31 December 2017: HK$132,300,000). Out of the facilities available, the Group has utilized (i) approximately HK$3,315,000 for the issuance of bank's guarantee under which customers retain right to claim refund of purchase deposits received by the Group as at 31 December 2018 (31 December 2017: HK$3,236,000) and (ii) approximately HK$4,624,000 for the issuance of import letters of credit to suppliers (31 December 2017: HK$2,471,000).

Most of the bank borrowing is charged at inter-bank offer rate plus a spread in the countries where the Company's subsidiaries are operating in.

Foreign Currency Risk

Most of the assets and liabilities in the Group were mainly denominated in US dollars, HK dollars, Euro and Renminbi.

Contingent Liabilities

As at 31 December 2018, the Company had guarantees of approximately HK$137,500,000 (31 December 2017: HK$137,500,000) to banks in respect of banking facilities granted to subsidiaries of the Company. The amount utilized by the subsidiaries was approximately HK$7,939,000 (31 December 2017: HK$5,707,000).

Pledge of Assets

As at 31 December 2018, apart from the cash of HK$3,315,000 (31 December 2017: HK$3,236,000) pledged to the banks for the issuance of bank guarantees as disclosed above, the Group did not pledge any other asset to any third party (31 December 2017: nil).

Capital Commitment

As at 31 December 2018, the Group did not have any significant capital commitment (31 December 2017: nil).

Chairman's Statement and Management Discussion and Analysis

Employee and Remuneration Policies

As at 31 December 2018, the Group employs a total of 645 employees (31 December 2017: 673), including 39 employees hired by our associated company (31 December 2017: 39). Total staff cost including payments to directors for the Period Under Review was approximately HK$132,994,000 (the Previous Period: approximately HK$134,153,000). Employees and Directors are remunerated based on performance, experience and industry practice. Performance related bonuses are granted on discretionary basis. The Group maintains a mandatory provident fund schemes for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in PRC. The Group also maintained appropriate insurances and medical cover for its employees.

The Company has adopted a share option scheme. No option was granted during the Period Under Review (the Previous Period: nil).

FINAL DIVIDEND

As the Company is still in the process of searching for a suitable production site for the long term development and benefits of PAL and the excellent financial performance for the Group for the year ended 31 December 2018 was mainly due to the gain on recognition of Deferred Consideration which is an unrealized gain by nature, after due and careful consideration, the Board does not recommend payment of any final dividend for the year ended 31 December 2018 (31 December 2017: Nil)

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, business associates and bankers for their trust and support to the Group. To all of our employees, I appreciate your hard work, dedication and commitment over the year.

By Order of the Board
Lam Kwok Hing *M.H., J.P.*
Chairman and Managing Director

Hong Kong, 27 March 2019

Directors & Senior Management Profile

EXECUTIVE DIRECTORS

Mr. LAM Kwok Hing *M.H., J.P., Honorary Consul*, aged 54, is the Chairman and Managing Director of Asia Tele-Net and Technology Corporation Limited ("ATNT") and joined the Group in 1995. Mr. Lam is the younger brother of Mr. Nam Kwok Lun, the Deputy Chairman and Executive Director of the Company.

Mr. Lam has over 30 years' experience in securities trading and over 20 years' experience in industrial corporate management. He also has experience in energy exploration business. He set up Karl-Thomson Securities Company Limited and Karl-Thomson Commodities Company Limited in 1991. Mr. Lam was a registered dealer of The Securities and Futures Commission. In 2000, Karl Thomson Holdings Limited ("Karl Thomson") (Hong Kong listed code 0007, which was subsequently renamed as Hoifu Energy Group Limited ("Hoifu")) was listed in the The Stock Exchange of Hong Kong Limited. Mr. Lam was the Chairman of Karl Thomson from 2000 to 2012. He is currently an executive director of Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment") (formerly known as Hoifu). In addition, Mr. Lam was the Chairman of Intech Machines Company Limited (a company which was previously listed under Taiwan Stock Exchange Corporation with listed code of 5492) from 2001 to 2008.

Mr. Lam was awarded the Medal of Honor by the Hong Kong Special Administrative Region (the "HKSAR") in 2009. On 30 June 2017, Mr. Lam was appointed as Justice of the Peace by the Chief Executive of the HKSAR. In July 2017, he was appointed as honorary consul of the Republic of Senegal in Hong Kong. In 2013, he was appointed as a committee member of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference and was further appointed as a standing committee member in 2018.

As far as community affairs are concerned, Mr. Lam hosts a number of posts in various charitable organizations and schools. He is a permanent advisor of the Board of Pok Oi Hospital; he was further appointed as the Chairman of Permanent Advisory Committee of the Board of Pok Oi Hospital in 2017. In addition, Mr. Lam is Vice President of Scout Association of Hong Kong for New Territories East. He was the chairman of the board of Pok Oi Hospital for the year 2008/2009, the Chairman of the Corporate Governance Committee of Pok Oi Hospital for the year 2008/2009, the Vice Chairman of the board of Pok Oi Hospital from 2004 to 2008, a member of Tai Po Fight Crime Committee from 2005 to 2007, chief school managers of various primary and secondary schools in Hong Kong.

In 2014, Mr. Lam allied with other charity leaders and formed a new charitable organization called Hong Kong Shine Tak Foundation. The aims of this organization are to motivate elites in community to engage in various charitable projects and to build a society of peace and harmony. In 2015, he was elected as the Indigenous Inhabitant Representative of Pai Tau Village and Executive Committee Member of Shatin Rural Committee.

Mr. NAM Kwok Lun, aged 59, is the Deputy Chairman of ATNT. He joined the Group in 2005. He is responsible for overall strategic planning, day to day operations, execution and further development. Mr. Nam is the elder brother of Mr. Lam Kwok Hing.

Mr. Nam is also the Executive Director of Hong Kong Finance Investment and is in charge of the stockbroking, futures and options broking and securities margin financing businesses. Mr. Nam has over 40 years' experience in the securities trading, fund management and financial advisory services. He is a member of the Hong Kong Securities Institute, an honorary president of Hong Kong Immigration Assistant Union and an honorary consultant of Hong Kong Securities and Futures Professionals Association.

Directors & Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KWAN Wang Wai Alan, aged 55, joined the Group in 1996 as Non-executive Director of ATNT. He was re-designated as Independent Non-executive Director of ATNT in April 2005. He holds a Bachelor degree in Engineering Science and a Master of Arts degree from the University of Oxford and has extensive experience in the consumer electronics and LED field.

Mr. NG Chi Kin David, aged 57, is an Independent Non-executive Director of ATNT and joined the Group in 1995. He is a professional accountant, fellow member of the Hong Kong Institute of Certified Public Accountants and member of CPA Australia. Mr. Ng is also an Independent Non-executive Director of Hong Kong Finance Investment. Mr. Ng is a certified public accountant and a Director of CNG Partners CPA Limited.

Mr. CHEUNG Kin Wai, aged 63, is an Independent Non-executive Director of ATNT and joined the Group in 1998. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a MBA degree from the University of California, Riverside. Mr. Cheung has worked for over 25 years with various international banking and brokerage firms. He has extensive securities and financial investment experience and now owns his own investment and assets management company.

SENIOR MANAGEMENT

Ms. YUNG Wai Ching, Ada, aged 53, is the Deputy General Manager of ATNT and joined the Group in 1998. She is responsible for the day to day operations, financial management, taxation planning, legal advisory, IT and human resources management for ATNT Group. She holds a Bachelor degree in Accountancy from the City University of Hong Kong and is a member of Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and Hong Kong Institution of Chartered Secretaries. Before joining ATNT Group, she had extensive experience in various industries including telecommunication, trading, manufacturing and system integration.

Mr. WONG Kwok Wai, Ronnie, aged 54, is the Managing Director of Process Automation International Ltd ("PAL") and has worked for the Group since 1985. He is responsible for the day to day operations, strategic planning and business development of our electroplating equipment business. He holds a degree in Chemical Technology from Hong Kong Polytechnic University and has extensive experience in marketing and business development. He is the major contributor in building a strong presence for PAL in Asia, Taiwan in particular.

Directors & Senior Management Profile

Mr. CHAN Chi Wai, aged 62, is the Director of PAL and joined the Group in 1981. He is responsible for manufacturing arm in China for PAL. He has extensive experience in the electroplating industry.

Mr. LAU Kam Chan, Kelvin, aged 52, is the Director of PAL and has joined the Group since 1990. He graduated from the Glasgow University (Scotland) with a Bachelor degree in Electronics and Electrical Engineering. He has extensive experience in marketing and is the major contributor in building a strong presence for PAL in China.

COMPANY SECRETARY

Ms. YUNG Wai Ching, Ada

(as disclosed above)

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 35 and 18 respectively to the consolidated financial statements.

BUSINESS REVIEW

A business review as required under the Companies Ordinance (Chapter 622 of the laws of Hong Kong) is set out in the "Chairman's Statement and Management Discussion and Analysis" on pages 11 to 15.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and results by segments for the year ended 31 December 2018 is set out in note 6 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are in addition to the matters referred to in the Chairman's Statement and Management Discussion and Analysis.

1. Economic climate and individual market performance

The economic conditions in each geographical area will have a general impact on consumer confidence in that particular geographical area which would in turn affect sales and results of the Group. While the Group has quite a wide footprint in its geographical coverage, we have focused markets in Taiwan, US and European countries. Any decline in the general economic conditions of these countries may bring negative effect to the financial results of the Group.

2. Customers' credit risk

Customers' credit risk is the risk of loss due to a customer's non-repayment for products or services the Group sold to them. In order to minimise the credit risk, management of the Group will review the financial strength and credit history of each customer and set up individualized credit limits in order to limit the exposure to each individual customer. Weekly meeting is held to review any milestone payments which are fall due. Staff will contact customers and follow up payments which are fall due. In addition, the Group reviews the recoverable amount outstanding at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

3. Contract fulfillment risk

The principal business of our key subsidiaries are sales of tailor-made electroplating equipment. Based on our past experience, staff will discuss and agree technical specifications required by the customers. There are chances that equipment sold may not meet all agreed specifications. In such cases, we will provide alternate designs to the customers and, depending on the circumstances, the incremental cost may or may not be borne by us. If such cases do arise, the profit margin of the Group will normally be reduced as the Group will incur additional cost and may face the risk of paying penalty to the customers due to late completion (depending if any penalty term is agreed).

4. Liquidity risk

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which is adequate for the Group's operations.

5. Foreign Currency risk

Most of the assets and liabilities in the Group were mainly denominated in US dollars, HK dollars, Euro and Renminbi. Hence, the Group is exposed to foreign currency risk.

Due to strengthening of US dollars, the Group may face possible price pressure from local competitors in Japan, Taiwan and Europe.

RESULTS AND APPORTIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 55 to 56. There was no significant change in the nature of the Group's principal activities during the year.

The Directors do not recommend the payment of a dividend.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 148.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Under The Companies Act 1981 of Bermuda, the Company's contributed surplus account is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the Company's reserves available for distribution to its shareholders as at 31 December 2018 are approximately HK$31,313,000, being the contributed surplus of approximately HK$78,447,000 and accumulated losses of approximately HK$47,134,000.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group together accounted for approximately 39.7% of the Group's turnover, with the largest customer accounted for approximately 11.3%. The aggregate purchases attributable to the Group's five largest suppliers were less than 16.1% of the Group's purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

PROPERTY, PLANT & EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

Attention is drawn to the section named "Property Development" in the Chairman's Statement and Management Discussion and Analysis.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. LAM Kwok Hing *M.H., J.P. (Chairman and Managing Director)*
Mr. NAM Kwok Lun *(Deputy Chairman)*

Independent Non-executive directors:

Mr. NG Chi Kin David
Mr. CHEUNG Kin Wai
Mr. KWAN Wang Wai Alan

In accordance with Clause 87(2) of the Company's Bye-laws, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting. In accordance with the code provision 4.2 of Appendix 14 Corporate Governance Code, every director should be subject to retirement by rotation at least once every three years. Therefore, Mr. NAM Kwok Lun and Mr. CHEUNG Kin Wai should retire and subject to re-election at the forthcoming annual general meeting ("AGM").

The Director being proposed for re-election at the forthcoming AGM does not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Based on the confirmation received, the Board considers all of the Independent Non-executive Directors are independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 20 to 22 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had a service contract with the Company. These service contracts continued unless and until terminated by either the Company or the Directors giving to the other party 6 months' notice in writing.

Each of the Independent Non-executive Directors has signed a letter of appointment for a term of three years until terminated by not less than three months' notice in writing served by the Independent Non-executive Director to the Company or in accordance with the terms set out in the respective letters of appointment. Each of the Independent Non-executive Directors is entitled to a director's fee.

DIRECTORS' REMUNERATION

The remuneration committee of the Board considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate. Details of the Directors' remuneration are set out in note 11 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

At 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long position

Ordinary shares of HK$0.01 each of the Company

	Number of issued ordinary shares held			Percentage of the issued share capital of the Company
Name of director	**Personal interest**	**Corporate interest**	**Total**	
Mr. Lam Kwok Hing	3,474,667	269,916,500 (Note)	273,391,167	64.11%

Note: The amount composed of 48,520,666, 201,995,834 and 19,400,000 shares of the Company that were held by Medusa Group Limited ("Medusa"), Karfun Investments Limited ("Karfun") and J & A Investment Limited ("J & A") respectively. Medusa is a company wholly-owned by Mr. Lam Kwok Hing. Karfun is owned by J & A for approximately 93.70%. Mr. Lam Kwok Hing who is the Chairman and Managing Director of the Company owns 80% shareholding in J & A.

Save as disclosed above, except for nominee shares in certain subsidiaries held in trust for the Company by certain Directors, none of the Directors, the chief executives or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2018.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "connected transactions" and "continuing connected transactions" below, there was no other transaction which needs to be disclosed as a connected transaction or a continuing connected transaction in accordance with the requirements of the Listing Rules and no contract of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

During the year, the Group has paid approximately HK$8,000 as brokerage commission to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment") (formerly known as Hoifu) in which Mr. Lam Kwok Hing and Mr. Nam Kwok Lun are the executive directors.

During the year, the Group has received rental income of approximately HK$163,000 and management fees of approximately HK$259,000 from BioEm Air Sanitizing Technology Company Limited, a company which Mr. Lam Kwok Hing has indirectly held 40% shareholding interests. The Group has also purchased products from this company for approximately HK$46,000.

For the above connected transactions, the applicable percentage ratios calculated pursuant to rule 14.07 of the Listing Rule were less than 5%, therefore, they both fell below the de minimis threshold under rule 14A.76 of the Listing Rules and were not subject to any reporting, independent shareholder's approval, annual review and all disclosure requirements.

Continuing Connected Transactions

Reference is made to the announcement of the Company dated 31 October 2016 and the circular dated 20 December 2016 in relation to the provision of revolving loan (the "Revolving Loan").

On 31 October 2016 (after trading hours), PAL Finance Limited, an indirect wholly owned subsidiary of the Company (the "Lender"), entered into a loan facility agreement with Karl Thomson Financial Group Limited (the "Borrower"), pursuant to which the Lender has agreed to provide a revolving loan facility of HK$130,000,000 bearing interest at Prime Rate for a term from 6 January 2017 to 30 October 2019 (the "Loan Facility Agreement").

As the Borrower is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the provision of the Revolving Loan by the Lender to the Borrower under the Loan Facility Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Revolving Loan exceed 25% but less than 100%, the entering into of the Loan Facility Agreement and the provision of the Revolving Loan constitute a major and continuing connected transaction of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules. An extraordinary general meeting was convened on 6 January 2017 and the Loan Facility Agreement was approved by the independent shareholders of the Company in the said meeting.

As at 31 December 2018, a sum of HK$66,000,000 was borrowed by the Borrower and the interest received by the Lender during the year was approximately HK$3,538,000 ("Disclosed Continuing Connected Transactions").

Pursuant to Rule 14A.55 of the Listing Rules, the Loan Facility Agreement has been reviewed by the Independent Non-executive Directors who have confirmed that the Revolving Loan was carried out:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors (the "Independent Auditors") were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Independent Auditors had issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the Independent Auditors' letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Pursuant to Rule 14A.56 of the Listing Rules, the Independent Auditors confirmed that the Loan Facility Agreement:

(i) nothing has come to their attention that causes them to believe that the Loan Facility Agreement has not been approved by the Company's board of directors.

(ii) for transactions involving the provision of Revolving Loan by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(iv) with respect to the Disclosed Continuing Connected Transactions, nothing has come to their attention that causes them to believe that the Disclosed Continuing Connected Transactions have exceeded the cap as set by the Company.

Detailed related party transactions entered into by the Group for the year are disclosed in note 36 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors or their respective associates had any business or interests in business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, the following persons (other than the Directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of shares held	Percentage of Company's issued share capital
Medusa	Beneficial owner	48,520,666	11.38%
Karfun	Beneficial owner	201,995,834	47.37%
J & A	Beneficial owner	19,400,000	4.55%

Please refer to the note under the section heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above.

Save as disclosed above, as at 31 December 2018, no person (other than the Director of the Company whose interests are set out under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporation" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of SFO.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

As Mr. Lam Kwok Hing, the Chairman and Managing Director of the Company, is also the controlling shareholder, please refer to the section "Directors' interests in contracts of significance" above.

SHARE OPTIONS

A summary of the Share Option Scheme (the "Scheme") which came into effect from 12 June 2015, disclosed in accordance with the Listing Rules is as follows:

(1) Purpose of the Scheme

The purpose of the Scheme is to enable the Company to grant option to the eligible participants as incentives and rewards for their contributions to the Company or such subsidiaries.

(2) Participants of the Scheme

The Board may, at its discretion, to grant options to any employees (whether full time or part time), executives or officers of the Company or any of the subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who will contribute or have contributed to the Company or any of the subsidiaries.

(3) Total number of shares available for issue under the Scheme and % of issued share capital at 31 December 2018

The number of shares available for issue under the Scheme was 42,646,340 shares representing 10% of the issued share capital at 31 December 2018.

(4) Maximum entitlement of each participant under the Scheme

The maximum number of shares issuable under the Scheme to each participant in any 12-month period up to the date of grant shall not exceed 1% of the shares unless it is approved by shareholders in a general meeting of the Company. Any share options granted a substantial shareholder or an independent non-executive director of the Company or to any of their associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5,000,000, in any 12-month period, are subject to shareholders' approval in general meeting of the Company.

(5) The period within which the shares must be taken up under an option

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(6) The minimum period for which an option must be held before it can be exercised

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose as its discretion any such minimum period at the time of grant of any particular option.

(7) The amount payable upon acceptance of option

HK$1.00 is payable by each eligible participant to the Company on acceptance of the option on or before the 30th day after the option is offered.

(8) The basis of determining the exercise price

The exercise price must be at least the higher of:

(i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(9) The remaining life of the Scheme

The Scheme will expire at the close of business of 12 June 2025.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, each of the employer and employee are required to make contributions of 5% of the employees' relevant income to the scheme, subject to a cap of monthly relevant income of HK$30,000. Contributions made to the scheme are vested immediately.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the law of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices of the Company is set out in the "Corporate Governance Report" on pages 35 to 48.

ENVIRONMENTAL POLICY

The Group is committed to minimise the impact of its activities on the environment. The key points of its strategy to achieve this are:

- Minimise waste by evaluating operations and ensuring they are as efficient as possible.
- Implement a training program for its staff to raise awareness of environmental issues and enlist their support in improving the Company's performance.
- Meet or exceed all the environmental legislation that relates to the Company and its subsidiaries.
- Measure its impact on the environment and set targets for ongoing improvement.
- Will encourage the adoption of similar principles by its key suppliers.

SUFFICIENCY OF PUBLIC FLOAT

At the latest practicable date prior to the issue of this report, based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public floats as required under the Listing Rules throughout the year ended 31 December 2018.

AUDITOR

A resolution will be submitted to the AGM of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

CLOSURE OF SHARE REGISTER OF MEMBERS

The AGM is expected to be held on Wednesday, 19 June 2019. In order to determine the shareholders who will be qualified for attending and voting at the AGM, the register of members of the Company will be closed from Thursday, 13 June 2019 to Wednesday, 19 June 2019, both days inclusive. All completed transfer documents together with the relevant share certificate(s) must be lodged with the Company's Hong Kong share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 12 June 2019 for registration.

On behalf of the Board

Lam Kwok Hing *M.H., J.P.*
Chairman and Managing Director

Hong Kong, 27 March 2019

Corporate Governance Report

The Company recognizes that good corporate governance is vital to the success of the Group and sustains development of the Group. The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The board of directors (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

During the financial year of 2018, the Company has complied with most of the CG Code, save for the following:

1. Under code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Bye-law 87(2) of the Company's Bye-laws; and

2. Under code provision A.2.1, the role of the Chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not at present have any officer with the title of "Chief Executive Officer" ("CEO") but instead the duties of a CEO are performed by the Managing Director ("MD"). The positions of both Chairman and MD are currently held by Mr. Lam Kwok Hing. The Board believes that vesting the roles of both Chairman and MD in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high calibre individuals. In addition, through the supervision of the Board which comprised of three independent non-executive directors, representing more than half of the Board, the interests of the shareholders are adequately and fairly represented.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2018. The key corporate governance principles and practices of the Company are summarised in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction.

Having made specific enquiry by the Company, all Directors have confirmed that they had complied with the Model Code throughout the year ended 31 December 2018.

Corporate Governance Report

THE BOARD

Responsibilities

The Board comprises of two Executive Directors, being Mr. Lam Kwok Hing (Chairman and Managing Director) and Mr. Nam Kwok Lun (Deputy Chairman); three Independent Non-executive Directors, being Mr. Cheung Kin Wai, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David. Biographical details, which include relationships among members of the Board, are provided in the "Directors & Senior Management Profile" section of the Annual Report. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The Executive Directors and Independent Non-executive Directors bring a variety of experience and expertise to the Company.

There is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. Generally speaking the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof
- Approval of interim and year-end dividend
- Reviewing and approving the annual and interim reports
- Ensuring good corporate governance and compliance
- Monitoring the performance of the management
- Reviewing and approving any material acquisition and assets disposal
- Developing and reviewing the Group's policies and practices on corporate governance
- Evaluating and determining the Company's Environmental, Social and Governance ("ESG")-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors, senior management and certain specific responsibilities to the Board committees. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about its reporting responsibilities for the financial statements of the Company is set out on pages 52 to 54 in the Independent Auditor's Report.

All Directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary to ensure Board procedures and all applicable rules and regulations are followed.

Corporate Governance Report

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 31 December 2018, the Board comprised five members, including two Executive Directors and three Independent Non-executive Directors, as follows:

Executive Directors
Mr. LAM Kwok Hing *M.H., J.P. (Chairman and Managing Director)*
Mr. NAM Kwok Lun *(Deputy Chairman)*

Independent Non-executive Directors
Mr. CHEUNG Kin Wai
Mr. KWAN Wang Wai Alan
Mr. NG Chi Kin David

Biographical details of the Directors are set out on pages 20 to 21.

During the year ended 31 December 2018 ("the Period Under Review"), the Board complied with the Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. The Board also complied with the Rule 3.10A of the Listing Rules so that independent non-executive directors representing at least one-third of the Board. All three Independent Non-Executive Directors are appointed for a specific term of three years. They are subject to retirement by rotation and re-election provisions of the Bye-laws.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The Bye-laws of the Company requires that one-third (if the number is not a multiple of three, the number nearest to but not more than one-third) of the Directors (including executive and non-executive directors) shall retire by rotation each year. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and those of the other Directors who have been longest in office since their election or re-election. A retiring Director is eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting and be eligible for re-election. Any Director appointed pursuant to the aforesaid Bye-laws shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Board Meetings and General Meeting

During the Period Under Review, four board meetings and the annual general meeting ("AGM") for the year 2018 were held with details of the Directors' attendance set out below:

Directors	Attendance/Number of Meetings Board Meetings	AGM
Executive Directors		
Mr. LAM Kwok Hing *M.H., J.P.** *(Chairman and Managing Director)*	4/4	0/1
Mr. NAM Kwok Lun *(Deputy Chairman)*	4/4	1/1
Independent Non-executive Directors		
Mr. CHEUNG Kin Wai	4/4	1/1
Mr. KWAN Wang Wai Alan	4/4	1/1
Mr. NG Chi Kin David	4/4	1/1

* Mr. LAM did not attend the AGM held on 27 June 2018 as he had an overseas trip.

Board Practices and Conduct of Meetings

The Board meets regularly, at least four times, throughout the year to formulate overall strategy of the Group, monitor its financial performance and maintain effective oversight over the management. Directors may participate either in person or through electronic means of communication. Notice of regular board meetings is sent to all directors at least 14 days prior to the meeting. For other board and committee meetings, reasonable notice is generally given.

Draft agenda of each board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman and other relevant senior management normally attend regular board and committee meetings, and where necessary, other board and committee meetings to advise business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group. Draft minutes are normally circulated to directors for comment in due course after each meeting and the final copy, which is kept by the company secretary, is open for directors' inspection.

Any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened board meeting. Except for those circumstances permitted by the Bye-laws, a director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such director is not counted for quorum determination purpose.

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year of 2018, all directors of the Company have participated in continuous professional development program in order to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. They also read newspaper and relevant materials on the topics related to roles and responsibilities of directors and corporate governance and regulations.

DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to the shareholders for the wellbeing and success of the Company.

To enhance the effectiveness of the management of the Company, the Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established in 1999 and comprises three Board members, all of whom are Independent Non-executive Directors. The Audit Committee has adopted the same term of reference, which describes the authority and duties of the Committee, as quoted under code provision C.3.3 of the CG Code. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange.

The Audit Committee is primarily responsible for the following duties:

- to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fees and the terms of engagement of the external auditor, and any questions of their resignation or dismissal.

- to monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences.

- to monitor integrity of the Company's financial statements, annual report, accounts and the half-year report, and to review significant financial reporting judgments contained in them.

- to oversee the Company's financial reporting system and internal control procedures.

- to review compliance with regulatory and legal requirements by the Company.

The Audit Committee will meet at least twice each year. In 2018, the Audit Committee met twice considering the annual results of the Group for the financial year ended 31 December 2017 and the interim results of the Group for the 6 months ended 30 June 2018, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, discussing with the auditor of the Company on internal control and the re-appointment of the external auditor. The Audit Committee also provides in important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

There were two meetings held during the Period Under Review, details of attendance are set out below:

Audit Committee Members	**Attendance/ Number of Meetings**
Independent Non-executive Directors	
Mr. NG Chi Kin David *(Chairman)*	2/2
Mr. KWAN Wang Wai Alan	2/2
Mr. CHEUNG Kin Wai	2/2

The interim results for the six-months ended 30 June 2018 and the annual results for the financial year ended 31 December 2017 were reviewed by the Audit Committee before publication.

Nomination Committee

The Nomination Committee of the Company (the "Nomination Committee") is established on 27 March 2012 and is composed of two independent non-executive directors and one executive director, namely Mr. Lam Kwok Hing (Chairman of the Nomination Committee), Mr. Cheung Kin Wai and Mr. Ng Chi Kin David.

In order to comply with the Revised CG Code, the Board adopted terms of reference of the Nomination Committee on 27 March 2012 and the terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise, and to make recommendations to the Board on matters relating to the appointment or re-appointment of directors and succession plan for directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee shall meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the Period Under Review, details of attendance are set out below:

Nomination Committee Members	Attendance/ Number of Meetings
Mr. LAM Kwok Hing *M.H., J.P. (Chairman)*	1/1
Mr. NG Chi Kin David	1/1
Mr. CHEUNG Kin Wai	1/1

During the Period Under Review, the Nomination Committee had reviewed the structure, size and composition of the Board of Directors of the Company and the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting.

Remuneration Committee

The Company established the Remuneration Committee in February 2005 with terms of reference substantially the same as those contained in paragraph B.1.3 of the CG Code. The written terms of reference which describe the authority and duties of the Remuneration Committee were adopted in 2005 and revised on March 2012 to conform to the provisions of the Code, a copy of which is posted on the Company's website and the Stock Exchange. A majority of the members of the Remuneration Committee is Independent Non-executive Directors and members of the Committee are listed as below.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee is primarily responsible for the following duties:

- to determine the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts;
- to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time;
- to review and approve the senior management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;
- to perform an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, with the Board retaining the final authority to approve executive directors' and senior management's remuneration;
- to make recommendations to the Board on the remuneration of independent non-executive directors;
- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive; and
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The overriding objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

The Remuneration Committee will meet at least once each year. A Remuneration Committee meeting was held during the Period Under Review, details of attendance are set out below:

Remuneration Committee Members	**Attendance/ Number of Meetings**
Mr. NG Chi Kin David *(Chairman)*	1/1
Mr. KWAN Wang Wai Alan	1/1
Mr. NAM Kwok Lun	1/1

During the Period Under Review, the Remuneration Committee reviewed the existing remuneration policies of the Company and considered and approved the performance bonus of the two executive directors and senior management.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

(iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

(v) To review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the Period Under Review, the Board reviewed the terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee, the shareholders' communication policy, shareholder enquiry procedures and special request procedures.

AUDITOR'S REMUNERATION

During the year, the auditor of the Company, Messrs. Deloitte Touche Tohmatsu received HK$1,235,000 for statutory audit services. Payments made by the Company for non-audit services to the auditor was made during the year were:

- HK$195,000 for review of the unaudited financial statements for the six months ended 30 June 2018

COMPANY SECRETARY

Ms. YUNG Wai Ching, the company secretary of the Company whose biography details are set out in the section headed "Directors & Senior Management Profile" in this annual report, confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 December 2018.

LIABILITY INSURANCE OF DIRECTORS AND SENIOR MANAGEMENT

The Company has appropriate "Directors and Officers Liability Insurance" in place for its Directors and senior management, in order to safeguard them from any legal and compensation liabilities arising in the course of discharging their duties.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges that it is their responsibilities for:

(i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group, and

(ii) selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgement and estimates.

A statement by the auditor about his reporting responsibilities is set out on pages 52 to 54 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective risk management and internal control system, in order to protect the interest of the Group and its shareholders. The risk management and internal control systems are designed to manage rather than eliminate the risks of failure to achieve the Group's business objectives, and can only provide reasonable, but not absolute assurance against material misstatements or losses.

The Group has established an Enterprise Risk Management Framework (the "ERM Framework") in order to implement risk management effectively. Our ERM Framework comprises two key elements: risk management structure and risk management process.

Risk Management Structure

The Board of Directors: The Board has a duty to ensure the effectiveness of the risk management and internal control systems of the Group (the "ERM system"). The Board oversees the ERM system, assess and evaluate the Group's business strategies and risk tolerance. The Board with assistance from the Audit Committee, reviews at least annually the effectiveness of the ERM system, the Board also monitors the ERM system in an on-going manner.

Audit Committee: The Audit Committee has the second highest responsibility for the ERM system after the Board. Audit Committee assists the Board in overseeing the Group's ERM system by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register, reviewing and approving the internal control review plan and results.

Management: We select key management members across the Group who are involved in each of the business process as interviewees to identify the risks to form our risk universe. Each risk is assessed in terms of likelihood of occurrence and the significance of impact, taken into account the current internal controls in place to mitigate these risks. Assessment result was reported to the Audit Committee and the Board for the confirmation of our risk response strategies, based on their preferences towards risk, our available resources for risk mitigation and the current controls in place.

Risk Management Process

The ERM Framework defined the procedures for identifying, assessing, responding and monitoring risks and their changes.

- Define risk universe
- Identify risks
- Assess risks identified in terms of likelihood of occurrence and degree of impact
- Define action plans to mitigate risks (if any)
- Monitoring and report changes

In order to identify and prioritize material risks throughout the Group, Management communicates with each operating functions, collect significant risk factors that affect the Group from bottom to top, including strategic, operational, financial, reporting and compliance risks. Having identified all relevant risks, Management assesses the potential impact and possibilities of the risks and prioritize the risks. Appropriate internal control measures are then developed to mitigate the risks identified and the changes of risks in an on-going manner.

Through regular discussion with each operating functions, risk awareness are created amongst the employees. Employees are encouraged to report risks they identified, from their prospective, to the Management. Through this repeated exercise, our ERM System is further enhanced.

Main Features of our Risk Management and Internal Control Systems

On operational level, the management is responsible for maintaining an effective internal control system by

- Establishing clear internal control policies and procedures and to clearly define the responsibilities, authorities and accountabilities of each key positions;
- Establishing code of conduct by explaining the Group's requirements on integrity and ethical value to all staffs;
- Establishing whistle blowing mechanism in order to encourage employees to report incidents of misconduct or fraud;

- Establishing appropriate level of information technology assess rights in order to avoid leakage of price sensitive information; and

- Establishing insider information disclosure policy to define a clear path of reporting channel and to assign a responsible person for disclosure purpose.

On risk-management level, the management communicates with each operating functions and consolidates significant risk factors that might affect the Group. A risk register was maintained to record the risks identified, with assessment of the potential impact and possibilities of occurrence for each risks identified. Based on the assessment, the management will develop appropriate internal control measures to mitigate the risks identified.

During the Period Under Review, the internal auditor has submitted review reports to the Audit Committee. The management has confirmed to the Board the effectiveness of the ERM Framework and ERM System. The Board has reviewed the reports and has considered the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions and was satisfied with their adequacy.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on 18 April 2019. The Dividend Policy shall take effect retrospectively on 1 January 2019. Details of which are disclosed as follows:

1. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

   (i) the Group's actual and expected financial results;

   (ii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

   (iii) the Group's liquidity position;

   (iv) retained earnings and distributable reserves of the Company and each of the members of the Group;

   (v) the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

   (vi) the general economic and political conditions and other external factors that may have an impact on the future business and financial performance of the Group; and

   (vii) any other factors that the Board may consider relevant.

2. The payment of dividend is also subject to the compliance with applicable laws and regulations, including the laws of Bermuda and the Company's bye-laws.

3. The Board will continue to review the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' COMMUNICATION POLICY

The Board is responsible for ensuring shareholders' communications are adequate and appropriate and based on transparency and sound corporate governance principles. The Company adopted a Shareholders' Communication Policy on 1 March 2012 which aims to present a clear, balanced and comprehensive assessment of our financial position and operational status by providing shareholders and other stakeholders with information in a timely and transparent manner. The Company will communicate to shareholders through written information and electronic communication as follows:

- Annual and interim reports
- Disclosures made to the Hong Kong Stock Exchange
- Notice and circular of general meetings
- Annual general meeting, where the external auditor is available to answer questions about the audit
- Corporate website: www.atnt.biz
- Direct enquiry sent to the Company

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to the Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act of Bermuda.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedure for Shareholder to propose a candidate for election as a director

Shareholders can refer to the procedure published at the Company's website www.atnt.biz.

Making Enquiry to the Board

Shareholders should direct their questions about their shareholdings to the Company's Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

By email to:	info@atnt.biz
By letter to the Company's business address:	11 Dai Hei Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong
By fax to:	(852) 2664 0717

All enquiries shall be collected by the Company Secretary who shall report to the Executive Directors periodically on the enquiries collected. The Executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the Executive Directors' review and approval. The Company Secretary shall then be authorized by the Executive Directors to reply all enquiries in writing.

INVESTOR RELATIONS

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2018.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Tele-Net And Technology Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 147, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of ACC arising from the re-development of the land	
We identified valuation of ACC (as defined in note 16 to the consolidated financial statements) arising from the re-development of the land as a key audit matter due to the significance to the consolidated financial statements as a whole, as well as significant judgments and estimation are required by the management in determining the fair value of ACC. As disclosed in notes 16 and 4 to the consolidated financial statements, during the year, the Group has recognised a gain on change in fair value of ACC of approximately HK$57,258,000. The fair value has been arrived at on the basis of the valuation carried out by an independent professional valuer (the "Valuer"). In determining the fair value, the Valuer has based on a method of valuation which involves certain assumptions including timing of receiving ACC, average unit rate of the properties and discount rate. The management has exercised their judgement and make their estimation and is satisfied with the assumptions used in the valuation. The carrying amount of ACC is approximately HK$308,481,000 as at 31 December 2018.	Our procedures in relation to the appropriateness of valuation of the ACC arising from the re-development of the land included: • Evaluating the competency, capabilities and objectivity of the Valuer and understanding their scope of work; • Verifying the details of ACC with the relevant agreements governing the Group's interest on it; • Engaging our internal valuation expert to assess the appropriateness of the valuation methodology adopted by the Valuer, and the assumptions, such as average unit rate of the properties and discount rate, and checking the mathematical accuracy of the valuation; and • Assessing the appropriateness of the estimation of timing of receiving ACC.

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition on contract works over time</td></tr>
<tr><td>We identified the revenue recognition on contract work over time as a key audit matter due to the significant management judgment and estimation are required in the determination of contract revenue.

The Group is engaged in design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery.

The accounting policies in relation to revenue recognition on contract works over time are set out in note 3 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to contract works with no alternative use to the Group will create an enforceable right to payment for performance completed to date for the Group. The Group has considered the terms of the relevant contracts, the laws of relevant jurisdiction that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, there is an enforceable right to payment for the Group. Accordingly, the revenue from design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery is considered to be performance obligation satisfied over time.

As disclosed in note 4 to the consolidated financial statements, the Group recognises contract revenue based on the input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves a significant degree of judgment, with estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation.

As disclosed in note 6 to the consolidated financial statements, the revenue from construction contracts amounted to approximately HK$210,801,000 for the year ended 31 December 2018.</td><td>Our procedures in relation to the revenue recognition on contract works over time included:

• Evaluating and challenging the assumptions and judgments made by management in determining revenue from design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery with no alternative use, with reference to the terms of the relevant contracts and opinion obtained from external legal counsel in relation to the Group's enforceable right to payment against the relevant contracts and in the laws of relevant jurisdiction;

• Obtaining an understanding of the Group's process in estimation of the contract revenue and on determination and approval of the estimated total contract costs;

• Evaluating the reasonableness of the basis and assumptions of the estimated total contract costs;

• Comparing actual total contract costs incurred to estimated total contract costs of contracts completed during the year, on a sample basis, to assess the reasonableness of management's estimation;

• Performing arithmetical check on the schedule of the calculation of the percentage of completion, on a sample basis, based on the schedule prepared by the management with information including contract sum, estimated total contract costs and contract costs incurred (the "Schedule"); and

• Verifying contract sum, estimated total contract costs and contract cost incurred as set out in the Schedule, on a sample basis, to the respective signed contracts, approved cost budgets and relevant supporting documents of the contract costs incurred respectively.</td></tr>
</table>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Wang Hei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	6	**342,750**	800,966
Cost of sales		**(284,897)**	(697,283)
Gross profit		**57,853**	103,683
Gain on remeasurement of Deferred Consideration	16	**–**	136,557
Other gains and losses	7	**46,290**	47,263
Other income		**166,901**	119,151
Selling and distribution costs		**(17,738)**	(19,954)
Administrative expenses		**(104,540)**	(103,553)
Impairment loss allowance for financial assets and contract assets, net		**(9,891)**	(1,039)
Finance costs	8	**(1,699)**	(1,202)
Share of results of associates		**(769)**	(366)
Profit before taxation		**136,407**	280,540
Taxation	9	**(51,938)**	(70,504)
Profit for the year	10	**84,469**	210,036
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations			
– subsidiaries		**(61,329)**	75,613
– associate		**703**	434
Other comprehensive (expense) income for the year		**(60,626)**	76,047
Total comprehensive income for the year		**23,843**	286,083
Profit (loss) for the year attributable to:			
Owners of the Company		**84,513**	209,483
Non-controlling interests		**(44)**	553
		84,469	210,036

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTE	**2018** **HK$'000**	2017 HK$'000
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**23,890**	285,492
Non-controlling interests		**(47)**	591
		23,843	286,083
Earnings per share	13		
Basic		**HK$0.20**	HK$0.49

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**36,623**	40,225
Deferred Consideration	16	**1,069,873**	1,348,931
Loan receivable	17	**–**	60,000
Interests in associates	18	**2,348**	2,414
		1,108,844	1,451,570
Current assets			
Inventories	19	**50,125**	61,459
Deferred Consideration	16	**354,655**	–
Loan receivable	17	**65,010**	–
Contract assets	20	**59,260**	–
Amounts due from customers for contract work	21	**–**	75,748
Debtors and prepayments	22	**92,633**	216,415
Held-for-trading investments	23	**29,131**	45,153
Amounts due from associates	24	**42**	21
Taxation recoverable		**982**	7,623
Pledged bank deposits	25	**3,315**	3,236
Bank balances and cash	25	**141,477**	165,880
		796,630	575,535
Current liabilities			
Creditors and accrued charges	26	**150,786**	282,930
Warranty provision	27	**35,784**	31,609
Contract liabilities	20	**25,169**	–
Amounts due to customers for contract work	21	**–**	8,200
Taxation payable		**5,143**	8,253
		216,882	330,992
Net current assets		**579,748**	244,543
Total assets less current liabilities		**1,688,592**	1,696,113

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	28	**4,265**	4,265
Reserves		**1,274,428**	1,299,926
Equity attributable to owners of the Company		**1,278,693**	1,304,191
Non-controlling interests		**506**	553
Total equity		**1,279,199**	1,304,744
Non-current liabilities			
Accrued charges	26	**48,092**	44,647
Warranty provision	27	**854**	5,174
Deferred taxation	29	**360,447**	341,548
		409,393	391,369
		1,688,592	1,696,113

The consolidated financial statements on pages 55 to 147 were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

LAM KWOK HING
CHAIRMAN AND MANAGING DIRECTOR

NAM KWOK LUN
DEPUTY CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Legal reserve HK$'000 (note a)	Currency translation reserve HK$'000	Contributed surplus HK$'000 (note b)	Capital contribution HK$'000	Retained profits HK$'000	Subtotal HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2017	4,265	28,500	13,253	14,336	(13,152)	48,937	1,206	921,354	1,018,699	362	1,019,061
Profit for the year	–	–	–	–	–	–	–	209,483	209,483	553	210,036
Exchange difference arising on translation of foreign operations											
– subsidiaries	–	–	–	–	75,575	–	–	–	75,575	38	75,613
– associate	–	–	–	–	434	–	–	–	434	–	434
Total comprehensive income for the year	–	–	–	–	76,009	–	–	209,483	285,492	591	286,083
Dividend paid by a subsidiary to its non-controlling interest	–	–	–	–	–	–	–	–	–	(400)	(400)
Balance at 31 December 2017	4,265	28,500	13,253	14,336	62,857	48,937	1,206	1,130,837	1,304,191	553	1,304,744
Adjustments (see note 2.3)	–	–	–	–	–	–	–	(49,388)	(49,388)	–	(49,388)
Balance at 1 January 2018 (restated)	4,265	28,500	13,253	14,336	62,857	48,937	1,206	1,081,449	1,254,803	553	1,255,356
Profit (loss) for the year	–	–	–	–	–	–	–	84,513	84,513	(44)	84,469
Exchange difference arising on translation of foreign operations											
– subsidiaries	–	–	–	–	(61,326)	–	–	–	(61,326)	(3)	(61,329)
– associate	–	–	–	–	703	–	–	–	703	–	703
Total comprehensive (expense) income for the year	–	–	–	–	(60,623)	–	–	84,513	23,890	(47)	23,843
Balance at 31 December 2018	4,265	28,500	13,253	14,336	2,234	48,937	1,206	1,165,962	1,278,693	506	1,279,199

Notes:

(a) In accordance with statutory requirements in the PRC (as defined in note 6 to the consolidated financial statements), certain subsidiaries registered in the PRC had transferred a certain percentage of their annual net income from retained profits to legal reserve until the statutory funds is accumulated up to 50% of their registered capital. No such transfer was required for the years ended 31 December 2018 and 2017 as the relevant subsidiaries had already transferred up to 50% of their registered capital to legal reserve.

(b) The contributed surplus arose as a result of the capital restructuring on 23 April 2004.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**136,407**	280,540
Adjustments for:			
Share of results of associates		**769**	366
Interest income on bank deposits		**(1,540)**	(1,686)
Finance costs		**1,699**	1,202
Dividend income		**(268)**	–
Depreciation of property, plant and equipment		**7,270**	5,280
Allowance for slow moving inventories		**1,953**	288
Impairment loss allowance for financial assets and contract assets, net		**9,891**	1,039
Loss on disposal of property, plant and equipment		**10**	288
Net change in fair value of held-for-trading investments		**19,101**	(754)
Warranty provision		**6,631**	30,965
Net exchange (gain) loss		**(10,468)**	9,069
Gain on remeasurement of Deferred Consideration	16	**–**	(136,557)
Gain on change in fair value of ACC	16	**(57,258)**	(58,147)
Imputed interest on GCC	16	**(160,309)**	(113,786)
Adjustment on non-current portion of provision for performance related incentive payments		**–**	2,335
Operating cash flows before movements in working capital		**(46,112)**	20,442
Increase in held-for-trading investments		**(3,079)**	(2,057)
Decrease in inventories		**4,945**	9,126
Decrease in contract assets		**49,030**	–
Decrease in amounts due from customers for contract work		**–**	5,893
Increase in loan receivable		**(6,000)**	(60,000)
Decrease (increase) in debtors and prepayments		**86,281**	(59,783)
(Decrease) increase in creditors and accrued charges		**(108,744)**	14,271
Utilisation of warranty provision		**(6,776)**	(27,499)
Increase in contract liabilities		**6,821**	–
Decrease in amounts due to customers for contract work		**–**	(1,589)
Cash used in operations		**(23,634)**	(101,196)
Overseas income tax refunded		**7,211**	–
Overseas income tax paid		**(3,616)**	(25,043)
NET CASH USED IN OPERATING ACTIVITIES		**(20,039)**	(126,239)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**3,236**	30,516
Placement of pledged bank deposits	**(3,315)**	(3,236)
Interest received	**1,540**	1,686
Purchase of property, plant and equipment	**(4,082)**	(16,666)
Proceeds on disposal of property, plant and equipment	**3**	254
Advance to an associate	**(21)**	–
Dividend received from investments	**268**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(2,371)**	12,554
FINANCING ACTIVITIES		
Interest paid	**(3)**	(13)
Repayment to an associate	**–**	(34)
Dividend paid by a subsidiary to its non-controlling interest	**–**	(400)
CASH USED IN FINANCING ACTIVITIES	**(3)**	(447)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(22,413)**	(114,132)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**165,880**	277,181
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	**(1,990)**	2,831
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**141,477**	165,880
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**141,477**	165,880

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

Asia Tele-Net And Technology Corporation Limited (the "Company") is incorporated in Bermuda under The Companies Act 1981 of Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate controlling shareholder is Mr. Lam Kwok Hing. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in electroplating equipment business. The details of principal activities of its principal subsidiaries are set out in note 35.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of custom-built electroplating machinery and other industrial machinery to customers
- Sales of spare parts of electroplating machinery
- Provision of services – repairs, maintenance and modification

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 15 on retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

	NOTES	Carrying amounts previously reported at 31 December 2017 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000
Current assets				
Debtors and prepayments	a, c	216,415	(31,670)	184,745
Contract assets	a, c	–	109,306	109,306
Amounts due from customers for contract work	a	75,748	(75,748)	–
Current liabilities				
Creditors and accrued charges	b	282,930	(8,922)	274,008
Contract liabilities	a, b	–	19,010	19,010
Amounts due to customers for contract work	a	8,200	(8,200)	–

* The amounts in this column are before the adjustments from the application of HKFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Notes:

(a) As at 1 January 2018, unbilled milestone payments of HK$1,888,000 arising from construction contracts are unconditional as stipulated in the contracts, and hence such balance was recognised as trade debtors and a corresponding contract liabilities at the date of initial application of HKFRS 15. In relation to construction contracts previously accounted for under HKAS 11, the Group has applied input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK$75,748,000 and HK$8,200,000 of amounts due from/to customers for contract work were reclassified to contract assets and contract liabilities respectively.

(b) As at 1 January 2018, included in the creditors and accrued charges, HK$8,922,000 related to advance billings to customers for services and construction contracts. These balances were reclassified to contract liabilities upon the initial application of HKFRS 15.

(c) As at 1 January 2018, unbilled revenue of HK$33,558,000 arising from construction works are conditional as stipulated in the contracts, and hence such balance was reclassified from trade debtors to contract assets upon the initial application of HKFRS 15.

The following table summaries the impacts of apply HKFRS 15 on the consolidated statement of financial position at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Impact on the consolidated statement of financial position

	NOTES	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets				
Debtors and prepayments	c, d	92,633	12,926	105,559
Contract assets	a, c, d	59,260	(59,260)	–
Amounts due from customers for contract work	a	–	44,903	44,903
Current liabilities				
Creditors and accrued charges	b	150,786	7,112	157,898
Contract liabilities	a, b, d	25,169	(25,169)	–
Amounts due to customers for contract work	a	–	16,626	16,626

Notes:

(a) These adjustments mainly relate to balances presented as contract assets and contract liabilities under HKFRS 15 but would have been stated as amounts due from/to customers for contract.

(b) As at 31 December 2018, advance billings to customers for services and construction contracts of HK$7,112,000 would have been stated as creditors and accrued charges under HKAS 11. This amount was recorded as contract liabilities under HKFRS 15.

(c) As at 31 December 2018, unbilled revenue of HK$24,620,000 arising from completed construction works which are conditional as stipulated in the contracts would have been stated as trade debtors under HKAS 11. This amount was recognised as contract assets under HKFRS 15.

(d) As at 31 December 2018, unbilled milestone payments of HK$11,694,000 arising from construction contracts which are unconditional as stipulated in the contracts are recognised as trade debtors and a corresponding contract assets or liabilities as applicable under HKFRS 15. This amount was not recognised under HKAS 11.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Decrease in contract assets	49,030	(49,030)	–
Decrease in amounts due from customers for contract work	–	29,829	29,829
Decrease in debtors and prepayments	86,281	18,744	105,025
(Decrease) increase in creditors and accrued charges	(108,744)	(1,810)	(110,554)
Increase in contract liabilities	6,821	(6,821)	–
(Decrease) increase in amounts due to customers for contract work	–	9,088	9,088

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments *(Continued)*

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Contract assets HK$'000	Trade debtors HK$'000	Loan receivable HK$'000	GCC HK$'000	Deferred tax liabilities HK$'000	Accrued charges (non-current) HK$'000	Retained profits HK$'000
Closing balance at 31 December 2017 – HKAS 39	N/A	188,680	60,000	1,083,245	(341,548)	(44,647)	(1,130,837)
Effect arising from initial application of HKFRS 15	109,306	(31,670)	–	–	–	–	–
Effect arising from initial application of HKFRS 9:							
Remeasurement							
Impairment under ECL model (note a)	(747)	(549)	(1,680)	(65,140)	16,285	–	51,831
Other (note b)	–	–	–	–	–	2,443	(2,443)
At 1 January 2018	108,559	156,461	58,320	1,018,105	(325,263)	(42,204)	(1,081,449)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments *(Continued)*

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

Notes:

(a) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade debtors. To measure the ECL, the trade debtors and contract assets have been assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position and also collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade debtors are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of loan receivable and GCC are measured on 12m ECL basis and there had been no significant increase in credit risk since initial application.

As at 1 January 2018, the additional credit loss allowance of HK$68,116,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

(b) Adjustment of HK$2,443,000 was made to performance bonus as a result of the ECL allowance recognised against GCC.

(c) Financial assets at fair value through profit or loss

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these in investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$45,153,000 of the Group's investments were held for trading and continued to be measured of fair value through profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments *(Continued)*

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

All loss allowances for financial assets including contract assets, trade debtors and other financial assets at amortised cost as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Contract assets HK$'000	Trade debtors HK$'000	Loan receivable HK$'000	GCC HK$'000
At 31 December 2017 – HKAS 39	N/A	32,729	N/A	N/A
Amounts re-measured through opening retained profits	747	549	1,680	65,140
At 1 January 2018	**747**	**33,278**	**1,680**	**65,140**

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2017 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 HK$'000 (Restated)
Non-current assets				
Deferred Consideration	1,348,931	–	(65,140)	**1,283,791**
Loan receivable	60,000	–	(1,680)	**58,320**
Current assets				
Debtors and prepayments	216,415	(31,670)	(549)	**184,196**
Contract assets	–	109,306	(747)	**108,559**
Amounts due from customers for contract work	75,748	(75,748)	–	**–**
Current liabilities				
Creditors and accrued charges	282,930	(8,922)	–	**274,008**
Contract liabilities	–	19,010	–	**19,010**
Amounts due to customers for contract work	8,200	(8,200)	–	**–**
Capital and reserves				
Reserves	1,299,926	–	(49,388)	**1,250,538**
Non-current liabilities				
Accrued charges	44,647	–	(2,443)	**42,204**
Deferred taxation	341,548	–	(16,285)	**325,263**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 "Leases" *(Continued)*

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$12,482,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$2,354,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 "Leases" *(Continued)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain buildings and financial instruments, which are measured at revalued amounts or fair values, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

- Revenue from construction of custom-built electroplating machinery and other industrial machinery is recognised over time on an input method.
- For sales of spare parts of electroplating machinery to the customers, revenue is recognised when control of the goods has transferred on receipt by the customer.
- Revenue from provision of services – repairs, maintenance and modification is recognised based on the stage of completion of the contract using input method.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Warranties

Warranties associated with the custom-built electroplating machinery and other industrial machinery cannot be purchased separately and they serve as an assurance that the products will comply with agreed-upon specifications. Accordingly, it is not accounted as a separate performance obligation under HKFRS 15 but in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group applies the practical expedient of expensing all incremental costs (sales commission) to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

The Group's accounting policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts (prior to 1 January 2018)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under debtors and prepayments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment includes leasehold land (classified as finance leases) and buildings held for use on the production or supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost or revaluated amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's buildings which had been revalued prior to 30 September 1995. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or revaluation of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefits scheme/state-managed retirement benefits schemes/ the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade debtors, GCC (as defined in note 16), loan receivable, amounts due from associates, pledged bank deposits, bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors and contract assets. The ECL on these assets are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position and also collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature and size of debtors; and
- Nature and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into one of two categories, including held-for-trading investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-for-trading investments

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading investments are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets, and is included in "other gains and losses" line item. Fair value is determined in the manner described in note 33.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loan and receivables (including GCC (as defined in note 16), loans receivable, trade debtors, amounts due from associates, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than held-for-trading investments, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of debtors could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one to two months and other observable changes in national or local economic conditions that correlate with default on debtors.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of non-financial assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision for warranties

Provision for warranties are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition on contract works over time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to contract works with no alternative use to the Group will create an enforceable right to payment for performance completed to date for the Group. The Group has considered the terms of the relevant contracts, the laws of relevant jurisdiction laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, there is an enforceable right to payment for the Group. Accordingly, the revenue from design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery is considered to be performance obligation satisfied over time.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of ACC (as defined in note 16) arising from the re-development of the land and impairment assessment of GCC

As disclosed in note 16, the carrying amount of the Deferred Consideration (as defined in note 16) at 31 December 2018 is approximately HK$1,424,528,000 which include GCC and ACC. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss.

The fair value of ACC is approximately HK$308,481,000 at 31 December 2018 which has been arrived at on the basis of the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain assumptions including timing of receiving ACC, average unit rate of the properties and discount rate. The management has exercised their judgement and is satisfied with the assumptions used in the valuation.

For GCC, the directors of the Company have made individual assessment on the ECL by assessing the financial position of the debtors as well as the economic outlook of the industries in which the debtor operate. At every reporting date, these information is reassessed. The provision of ECL is sensitive to changes in estimates. The information about the ECL of GCC is disclosed in note 33.

Revenue recognition on contract works over time

Revenue from contract works in respect of design, manufacturing and sales of custom-built electroplating machinery and other industrial machinery, which is individually built to customer order and unique specifications, is recognised on the input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Accordingly, revenue recognition involves a significant degree of judgment, with estimates being made to the actual inputs and the total expected inputs to the satisfaction of that performance obligation, any change to the total expected inputs to the satisfaction of that performance obligation may have material impact on the contract revenue recognised in each accounting period over the contract term. The revenue from construction contracts amounted to approximately HK$210,801,000 for the year ended 31 December 2018 (2017: approximately HK$699,695,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for trade receivables and contract assets

Trade debtors and contract assets have been assessed individually and reassessed collectively. The Group applies internal credit rating for its customers. The debtors are assessed individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The debtors are also assessed collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort. At every reporting date, the potential increase in credit risk, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets, are disclosed in notes 22 and 20 respectively.

Provision for warranties

The provision of warranties of the Group is determined based on the management's best estimate of the Group's liabilities under a warranty period of 1 to 2 years granted for the electroplating products based on its past experience of the level of repairs. Sales-related warranties associated with the custom-built electroplating machinery and other industrial machinery cannot be purchased separately and they serve as an assurance that the products will comply with agreed-upon specifications. The provision of warranties is recognised over time consistent with the revenue recognition of the relevant contract works. The actual settlement may differ from the estimation made by the management. If the amounts are settled for an amount greater than management's estimation, a future charge will be recognised in profit or loss when the amounts are settled. Likewise, if the amounts are settled for an amount that is less than the management's estimation, a future credit to profit or loss will be recognised in profit or loss when the amounts are settled. As at 31 December 2018, the carrying amount of provision of warranties was approximately HK$36,638,000 (2017: approximately HK$36,783,000).

Allowance for inventories

Management of the Group reviews an aging analysis of inventories at the end of the reporting period, and makes allowance for slow moving or obsolete inventory items identified that are not suitable for use in current production. Management estimates the net realisable value for raw materials primarily based on the latest invoice prices of the raw materials, estimated costs of completion and current market conditions of the products of the Group. However, given the competitiveness of the industry, the prices of the products of the Group may subsequently be affected. The Group carries out an inventory review on an item-by-item basis at the end of the reporting period and makes allowance for raw materials. As at 31 December 2018, the carrying amount of inventories was approximately HK$50,125,000 (2017: approximately HK$61,459,000). Allowance for slow moving inventories of approximately HK$1,953,000 was made during the year ended 31 December 2018 (2017: approximately HK$288,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares as well as the addition of new borrowings.

6. REVENUE AND SEGMENT INFORMATION

Revenue

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018 HK$'000
Types of goods or service	
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	
– Printed Circuit Boards	**162,812**
– Surface Finishing	**47,989**
	210,801
Sale of spare parts of electroplating machinery	**11,951**
Provision of services – repairs, maintenance and modification	**119,998**
Total	**342,750**

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

(i) Disaggregation of revenue from contracts with customers (Continued)

	Year ended 31 December 2018 HK$'000
Timing of revenue recognition	
A point in time	**11,951**
Overtime	**330,799**
Total	**342,750**

The disaggregation of revenue by geographical location of external customers are set out in "Segment information" in note 6.

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

(a) Sales of custom-built electroplating machinery and other industrial machinery to customers

The Group constructs and sells custom-built electroplating machinery and other industrial machinery under contracts with customers. Such contracts are entered into before construction of the machinery begins. The products are tailor-made with customers' specification which does not have alternative use to the Group and the Group is entitled to payment for work performed up to date. The Group considers the design, manufacturing and installation of machinery is as a single performance obligation under the relevant contract with customer. Revenue from construction of custom-built electroplating machinery and other industrial machinery is recognised over time on an input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15. The Group applies the practical expedient of expensing all incremental costs (sales commission) to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligations for contracts with customers (Continued)

(a) Sales of custom-built electroplating machinery and other industrial machinery to customers *(Continued)*

The Group is entitled to invoice customers for construction of custom-built electroplating machinery and other industrial machinery based on achieving a series of performance-related milestones. Each construction contract will normally involve two to six milestone payments, namely deposit payment (before commencement of construction work), shipment payment, arrival payment, installation completion payment, trial production payment and acceptance payment. The Group allows a general credit period of one to two months for the invoiced milestone payments. The Group recognises a contract asset for any work performed. When a particular milestone is reached, the Group will send to the customer an invoice for the related milestone payment in accordance with the agreed milestone payments as specified in the purchase order or contract. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point upon the achievement of the particular milestone. If the milestone payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference. Warranties associated with the custom-built electroplating machinery and other industrial machinery cannot be purchased separately and they serve as an assurance that the products will comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" consistent with its previous accounting treatment.

(b) Sales of spare parts of electroplating machinery

For sales of spare parts of electroplating machinery to the customers, revenue is recognised when control of the goods has transferred on receipt by the customer. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group allows a general credit period of one to two months for the amount invoiced. The customers do not have the right of return/exchange for dissimilar goods.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue *(Continued)*

A. For the year ended 31 December 2018 *(Continued)*

(ii) Performance obligations for contracts with customers (Continued)

(c) Provision of services – repairs, maintenance and modification

The Group provides services for repairs, maintenance and modification. Such services are recognised as a performance obligation satisfied over time as the Group's performance enhances an asset that the customer controls as the Group performs. Revenue is recognised for those services based on the stage of completion of the contract using input method.

The Group would require the deposit before the commencement of the relevant services for certain contracts, this would give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

The Group is entitled to invoice the customer in accordance with the relevant contracts and the Group allows a general credit period of one to two months for the amount invoiced.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers with unsatisfied performance obligations, including contracts relating to design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery and contracts for provision of services in relating to repairs, maintenance and modification at 31 December 2018 have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

B. For the year ended 31 December 2017

The Group's revenue from electroplating machinery business for the year ended 31 December 2017 analysed by principal activity is as follows:

	HK$'000
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	699,695
Sale of spare parts of electroplating machinery	18,109
Provision of services – repairs, maintenance and modification	83,162
	800,966

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

Segment revenue and results

The Group has one operating segment being the electroplating equipment segment which contributes the entire revenue of the Group. For the purpose of resources allocation and assessment of performance, the executive directors, being the chief operating decision makers, regularly review the Group's revenue by types of goods or services, no further discrete financial information was provided other than segment results of the operating segment as a whole. Reconciliation of the operating segment result to profit before taxation is as follows:

	Electroplating equipment	
	2018	2017
	HK$'000	HK$'000
Segment revenue	**342,750**	800,966
Segment (loss) profit	**(33,100)**	177
Intra-group management fee charged to operating segment	**6,637**	6,571
Other income	**164,838**	118,084
Central corporate expenses	**(29,471)**	(36,226)
Gain on remeasurement of Deferred Consideration (note 16)	**–**	136,557
Impairment loss allowance for loan receivable and GCC, net	**(8,948)**	–
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**(1,696)**	(1,189)
Other gain or losses	**38,147**	56,566
Profit before taxation	**136,407**	280,540

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the gross profit of the electroplating equipment segment, other income and expenses directly attributable to the segment activity (including intra-group management fee) and share of results of associates but excluding other income (including interest income from loan receivable, imputed interest income of GCC, unallocated interest income and sundry income), central corporate expenses including auditor's remuneration and directors' emoluments, gain on remeasurement of Deferred Consideration, impairment losses allowance for loan receivable and GCC (net), imputed interest on non-current portion of provision for performance related incentive payments and other gain or loss (including net change in fair value of held-for-trading investments, gain on change in fair value of ACC, adjustment on non-current portion of provision for performance related incentive payments and unallocated net exchange gain or loss). This is the measure reported to the chief operating decision maker in order to assess segment performance.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information *(Continued)*

Segment assets and liabilities

Amounts of segment asset and liabilities of the Group are not reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker, accordingly, segment assets and liabilities are not presented.

Other segment information

	Electroplating equipment	
	2018	2017
	HK$'000	HK$'000
Amounts included in the measure of segment result:		
Impairment loss allowance for trade debtors and contract assets, net	**943**	1,039
Allowance for slow moving inventories	**1,953**	288
Share of results of associates	**769**	366
Loss on disposal of property, plant and equipment	**10**	288
Depreciation	**7,010**	5,201
Provision for warranty	**6,631**	30,965

	Unallocated	
	2018	2017
	HK$'000	HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:		
Gain on remeasurement of Deferred Consideration	**–**	136,557
Impairment loss allowance for loan receivable and GCC, net	**(8,948)**	–
Net change in fair value of held-for-trading investments	**(19,101)**	754
Gain on change in fair value of ACC	**57,258**	58,147
Imputed interest income of GCC	**160,309**	113,786
Adjustment on non-current portion of provision for performance related incentive payments	**–**	(2,335)
Imputed interest on non-current portion of provision for performance related incentive payments	**(1,696)**	(1,189)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are mainly located in Hong Kong, the People's Republic of China (excluding Hong Kong) (the "PRC"), Taiwan, Europe, the United States of America and other Asia countries.

Information about the Group's revenue from external customers is presented based on the location of external customers.

	2018 HK$'000	2017 HK$'000
PRC	**204,305**	373,847
Taiwan	**69,214**	241,725
Thailand	**12,195**	47,101
The United States of America	**10,471**	19,679
India	**7,814**	24,874
Russia	**6,957**	614
Germany	**5,950**	–
Korea	**4,658**	67,965
Mexico	**4,038**	2,270
Hong Kong	**3,543**	3,423
Brazil	**3,346**	4,561
Singapore	**3,333**	2,454
The United Kingdom	**2,663**	720
United Arab Emirates	**2,092**	74
Seychelles	**1,136**	–
Tunisia	**697**	23
Others	**338**	11,636
	342,750	800,966

Information about the Group's non-current assets excluding financial instruments is presented based on the geographical location of the assets.

	2018 HK$'000	2017 HK$'000
Hong Kong	**30,389**	32,928
PRC	**5,674**	6,576
Others	**2,908**	3,135
	38,971	42,639

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers under the electroplating equipment segment of the corresponding years contributing over 10% of the total sales of the Group as follows:

	2018 HK$'000	2017 HK$'000
Customer A	38,766	81,608
Customer B	N/A[1]	122,719
Customer C	N/A[1]	106,479
Customer D	N/A[1]	88,350

[1] The corresponding revenue did not contribute over 10% of total sales of the Group.

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Net change in fair value of held-for-trading investments	(19,101)	754
Net exchange gain (loss)	8,198	(8,986)
Loss on disposal of property, plant and equipment	(10)	(288)
Gain on change in fair value of ACC (note 16)	57,258	58,147
Adjustment on non-current portion of provision for performance related incentive payments (note 26)	–	(2,335)
Other gains and losses	(55)	(29)
	46,290	47,263

8. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on bank borrowing	**3**	13
Imputed interest on non-current portion of provision for performance related incentive payments (note 26)	**1,696**	1,189
	1,699	1,202

9. TAXATION

	2018 **HK$'000**	2017 HK$'000
The taxation charge comprises:		
Overseas taxations		
Charge for the year	**95**	9,505
Overprovision in prior years	**(139)**	–
Deferred tax charge (note 29)	**51,982**	60,999
	51,938	70,504

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No tax was payable on the profit for the year ended 31 December 2017 arising in Hong Kong for certain group entities since the assessable profit is wholly absorbed by tax losses brought forward.

9. TAXATION *(Continued)*

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the remaining group entities subjected to Hong Kong Profits Tax have no assessable profit for both years.

Overseas taxation (including PRC enterprise income tax) is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**136,407**	280,540
Taxation at the income tax rate of 16.5% (2017: 16.5%)	**22,507**	46,289
Tax effect of share of results of associates	**127**	60
Tax effect of expenses not deductible for tax purpose	**598**	3,721
Tax effect of income not taxable for tax purpose	**(554)**	(811)
Tax effect of tax losses not recognised	**11,634**	7,342
Tax effect of deductible temporary differences not recognised	**79**	10
Tax effect of utilisation of tax losses previously not recognised	**–**	(799)
Overprovision in prior years	**(139)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**17,686**	14,692
Taxation for the year	**51,938**	70,504

10. PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,708**	2,083
Cost of inventories recognised as expenses (including allowance for slow moving inventories of approximately HK$1,953,000 (2017: of approximately HK$288,000))	**190,010**	476,496
Depreciation of property, plant and equipment	**7,270**	5,280
Operating lease payments in respect of rented premises	**11,643**	10,618
Staff costs:		
Directors' fee (note 11)	**294**	264
Directors' salaries, other benefits and performance related incentive payments (note 11)	**11,392**	18,469
Salaries and allowances	**119,265**	113,059
Contributions to retirement contributions schemes	**2,043**	2,361
	132,994	134,153
Impairment losses allowance for financial assets and contract assets, net:		
– Trade debtors	**1,043**	1,039
– Contract assets	**(100)**	–
– Loan receivable	**(690)**	–
– GCC	**9,638**	–
	9,891	1,039
Interest income from financial assets at amortised cost (included in other income):		
Interest income from loan receivable	**(3,552)**	(2,182)
Imputed interest income of GCC (note 16)	**(160,309)**	(113,786)
Interest earned on bank deposits	**(1,540)**	(1,686)
	(165,401)	(117,654)
Dividend income	**(268)**	–

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of the five (2017: five) directors are as follows:

For the year ended 31 December 2018

	Executive directors		Independent non-executive directors			
	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000	Kwan Wang Wai Alan HK$'000	Ng Chi Kin David HK$'000	Cheung Kin Wai HK$'000	Total HK$'000
Other emoluments						
Salaries and other benefits	**3,600**	**3,600**	**–**	**–**	**–**	**7,200**
Contributions to retirement benefits schemes	**18**	**18**	**–**	**–**	**–**	**36**
Fees	**–**	**–**	**98**	**98**	**98**	**294**
Total emoluments	**3,618**	**3,618**	**98**	**98**	**98**	**7,530**

For the year ended 31 December 2017

	Executive directors		Independent non-executive directors			
	Lam Kwok Hing HK$'000	Nam Kwok Lun HK$'000	Kwan Wang Wai Alan HK$'000	Ng Chi Kin David HK$'000	Cheung Kin Wai HK$'000	Total HK$'000
Other emoluments						
Salaries and other benefits	3,600	3,600	–	–	–	7,200
Contributions to retirement benefits schemes	18	18	–	–	–	36
Fees	–	–	88	88	88	264
Total emoluments	3,618	3,618	88	88	88	7,500

The executive directors' emoluments shown above were mainly for the services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for the services as directors of the Company.

Mr. Lam Kwok Hing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

No compensation was paid to the above directors of the Company during the current year and prior year for the loss of office as a director or as an inducement to join or upon joining the Company. None of the above directors of the Company has waived any emoluments during the current and prior years.

Apart from the emoluments for the directors as disclosed above, during the year ended 31 December 2018, the Group has made a provision for performance related incentive payments to the executive directors of the Company in an aggregate amount of approximately HK$4,192,000 ("2018 Provision") (2017: approximately HK$11,269,000 ("2017 Provision")) which is approved by the Remuneration Committee of the Company on 27 March 2019 (2017: 28 March 2018) and payable after one year.

The 2018 Provision and 2017 Provision are calculated by applying the pre-agreed percentage on the bonus distribution mechanism with the executive directors and expected to be paid after one year from the end of respective reporting period. It is discounted to present value.

As actual allocation for the accrued performance bonus to individual executive directors, namely, Mr. Lam Kwok Hing and Mr. Nam Kwok Lun, amounting to approximately HK$48,092,000 and HK$44,647,000 as at 31 December 2018 and 31 December 2017 respectively are not yet finalised at the end of the respective reporting periods, the table above showing the emoluments paid or payable to the directors for the year ended 31 December 2018 and 31 December 2017 does not include the 2018 Provision and 2017 Provision. After payment is made or allocation is determined by the Remuneration Committee, further disclosure of the payment of these performance bonus will be made in the coming years' annual report.

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors and chief executive of the Company whose emoluments are included in note 11. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**3,755**	3,730
Performance bonus (note)	**734**	592
Contributions to retirement benefits schemes	**54**	54
	4,543	4,376

Note: Performance bonus are determined by reference to profitability of the Group.

12. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Their emoluments are within the following band:

	Number of employees	
	2018	2017
HK$1,000,001 – HK$1,500,000	**2**	2
HK$1,500,001 – HK$2,000,000	**1**	1

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	HK$'000	HK$'000
The Group's profit for the year attributable to owners of the Company	**84,513**	209,483
Number of ordinary shares	**426,463,400**	426,463,400

No diluted earnings per share have been presented as there are no potential ordinary shares in issue during both years.

14. DIVIDEND

No dividend is paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of reporting period (2017: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2017	48,379	9,238	16,769	57,311	12,958	4,046	148,701
Currency realignment	–	133	–	1,167	231	–	1,531
Additions	–	351	345	9,694	6,276	–	16,666
Disposals	–	(120)	(224)	(1,349)	(500)	–	(2,193)
At 31 December 2017	48,379	9,602	16,890	66,823	18,965	4,046	164,705
Currency realignment	–	(93)	–	(833)	(222)	–	(1,148)
Additions	–	37	–	1,345	2,700	–	4,082
Disposals	–	(11)	–	(107)	(550)	–	(668)
At 31 December 2018	48,379	9,535	16,890	67,228	20,893	4,046	166,971
COMPRISING							
At cost	12,667	9,535	16,890	67,228	20,893	4,046	131,259
At valuation – 31 March 1992	35,712	–	–	–	–	–	35,712
	48,379	9,535	16,890	67,228	20,893	4,046	166,971
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2017	26,606	8,361	16,769	53,934	10,364	3,925	119,959
Currency realignment	–	79	–	709	104	–	892
Provided for the year	835	215	52	2,350	1,781	47	5,280
Eliminated on disposals	–	(58)	(224)	(869)	(500)	–	(1,651)
At 31 December 2017	27,441	8,597	16,597	56,124	11,749	3,972	124,480
Currency realignment	–	(55)	–	(597)	(95)	–	(747)
Provided for the year	835	220	67	2,629	3,483	36	7,270
Eliminated on disposals	–	(10)	–	(95)	(550)	–	(655)
At 31 December 2018	28,276	8,752	16,664	58,061	14,587	4,008	130,348
CARRYING AMOUNTS							
At 31 December 2018	20,103	783	226	9,167	6,306	38	36,623
At 31 December 2017	20,938	1,005	293	10,699	7,216	74	40,225

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	over the shorter of 20 – 50 years or the term of the lease
Furniture and fixtures	25%
Leasehold improvements	over the shorter of 25% or the term of the lease
Plant, machinery and equipment	$12^{1/2}$% to $33^{1/3}$%
Motor vehicles	$33^{1/3}$%
Computer software	$12^{1/2}$%

As at 31 December 2018, had the revalued leasehold land and buildings been carried at cost less accumulated depreciation, the carrying value of the leasehold land and buildings would have been stated at approximately HK$19,513,000 (2017: approximately HK$20,299,000).

16. DEFERRED CONSIDERATION

On 7 August 2011, a wholly-owned subsidiary of the Company entered into an agreement (the "Re-development Agreement") with an independent third party (the "Counter Party") in relation to a re-development plan (the "Re-development Plan") of two parcels of industrial land located in Bao An District, Shenzhen, the PRC (the "Land") from industrial land into residential properties for resale. Details of the Re-development Agreement are set out in the Company's circular dated 19 September 2011. Pursuant to the Re-development Agreement, the Group agreed to vacate from the Land and demolish the existing buildings and structures built or erected on the Land at its own costs, and the Counter Party agreed to re-develop the Land into residential properties and to compensate the Group by paying a relocation compensation of RMB50 million (approximately HK$64 million) to the Group and transferring the title of 41,000 sq.m. marketable residential or commercial properties which do not include subsidised apartments and any floor area reserved for public facilities usage on the redeveloped land (the "Relevant Properties") to the Group upon the completion of the Re-development Plan. Pursuant to the Re-development Agreement, the Counter Party is responsible for the set up of a project company (the "Project Company") for the purpose of the Re-development Plan. The Project Company was established by the Counter Party in August 2011.

The progress of the Re-development Plan up to 31 December 2016 is set out in the Company's 2016 annual report.

According to the terms of the Re-development Agreement, the Group recognised the right to receive the Relevant Properties (the "Deferred Consideration") of approximately HK$999,560,000, based on the valuation report issued by Avista Valuation Advisory Limited ("Avista"), an independent professional valuer. The Deferred Consideration was initially recognised at its fair value and subsequently carried at cost less impairment.

16. DEFERRED CONSIDERATION *(Continued)*

On 4 January 2017, the Group, the Counter Party and the Project Company entered into the supplemental agreements (the "Supplemental Agreements") to amend certain terms associated with the settlement arrangement of the Re-development Plan. Pursuant to the Supplemental Agreements, instead of transferring the title of the Relevant Properties, the Group is offered a guaranteed cash consideration of RMB1.23 billion (equivalent to approximately HK$1,403,789,000) ("GCC"), payable by six tranches within fifteen days after eighteen months of the issue of the presales certificate without waiting for the completion of the Re-development Plan. The first tranche will be payable within fifteen day after three months of the issue of the pre-sales certificate and the next tranche will be payable three months thereafter and so on. Apart from GCC, the Group will receive additional cash consideration representing the difference between the actual net sales proceed less RMB1.23 billion ("ACC"). Actual net sales proceed is equal to actual gross proceed to be received by the Project Company in respect of the Relevant Properties during the pre-sales period and after netting off value-added taxes, urban maintenance and construction tax, educational surtax, stamp duty, share of sales and marketing expenses and decoration expenses (if any). ACC in relation to residential properties will be payable within thirty-six months after the issue of the pre-sales certificate and ACC in relation to commercial properties will be payable within seventy-two months after the issue of the pre-sales certificate. The details of the amendment are set out in the Company's circular dated 15 February 2017. The transactions contemplated under the Supplemental Agreements were approved by the shareholders of the Company on 2 March 2017.

With the effective of the Supplemental Agreements, the Group surrendered its right to receive the Relevant Properties in exchange for the right to receive GCC and ACC. The fair values of GCC and ACC were approximately HK$910,602,000 and HK$193,657,000 respectively at the initial recognition. The fair values of GCC and ACC had been arrived at using discounted cash flow method by discounting future cash flows at an interest rate of 14.9% per annum based on a valuation performed by Avista. Pursuant to the Supplemental Agreements, the deadline for the Project Company to obtain the pre-sales certificate is on or before 30 June 2019. In the estimation of the fair values of GCC and ACC, the directors of the Company expect the pre-sales certificate to be issued on 30 June 2019. The Group recognised a gain on remeasurement of Deferred Consideration of HK$136,557,000 upon the initial recognition of GCC and ACC. Subsequent to the initial recognition, GCC is measured at amortised cost using the effective interest method, less any impairment while ACC is measured at fair value with changes in fair value through profit or loss.

As at 31 December 2018, the undiscounted gross amount of ACC is approximately HK$534,146,000 (2017: HK$505,370,000). The Group recognised a gain on change in fair value of ACC of approximately HK$57,258,000 (2017: HK$58,147,000) included in other gains or losses in profit or loss during the year ended 31 December 2018. The increase of fair value for the year ended 31 December 2018 is mainly due to the increase in average unit rate of the properties.

As GCC is carried at amortised cost, imputed interest of approximately HK$160,309,000 (2017: HK$113,786,000) is recognised as other income in the profit or loss during the year ended 31 December 2018.

16. DEFERRED CONSIDERATION *(Continued)*

Impairment loss allowance of GCC of approximately HK$9,638,000 (2017: nil) is recognised as other gains or losses in the profit or loss during the year ended 31 December 2018.

Details of the impairment assessment of GCC are set out in note 33.

As at 31 December 2018, the Deferred Consideration is made up of GCC of approximately HK$1,116,047,000 (net of impairment loss allowance of HK$71,404,000) and ACC of approximately HK$308,481,000 (2017: GCC of approximately HK$1,083,245,000 and ACC of approximately HK$265,686,000).

With the expected receipt of first tranche of GCC in year 2019, the carrying amount of GCC of approximately HK$354,655,000 as at 31 December 2018 is classified as current assets (2017: nil).

17. LOAN RECEIVABLE

The following is the maturity profile of the loan receivable at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Repayable within one year	**66,000**	–
Repayable after one year	**–**	60,000
Less: Impairment loss allowance	**(990)**	–
	65,010	60,000

On 31 October 2016, the Group entered into a loan facility agreement with Karl Thomson Financial Group Limited ("KTFG"), which is a wholly owned subsidiary of Hong Kong Finance Investment Holding Group Limited ("Hong Kong Finance Investment"). Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, and Mr. Nam Kwok Lun, an executive director of the Company who has an indirect interest in the Company, are the directors of Hong Kong Finance Investment. The Group provides an unsecured revolving loan facility of HK$130,000,000 bearing interest at prime rate as announced from time to time by The Hong Kong and Shanghai Banking Corporation Limited for lending Hong Kong Dollars for a term of three years commencing from the loan effective date and ending on 30 October 2019. As at 31 December 2018, a loan of HK$66,000,000 (2017: HK$60,000,000) was drawn by KTFG in according to the terms of the loan facility agreement. The average effective interest rate, which is equal to contractual interest rate, is 5.125% (2017: 5%) per annum. As at 31 December 2018, impairment loss allowance of loan receivable of HK$990,000 (2017: nil) is recognised. Details of the impairment assessment of loan receivable are set out in note 33.

18. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investments in associates		
Unlisted	**3,285**	3,285
Impairment loss made	**(1,709)**	(1,709)
	1,576	1,576
Share of post-acquisition gains, net of dividend received	**864**	1,633
Share of currency translation reserve	**(92)**	(795)
Share of net assets	**2,348**	2,414

Details of the Group's principal associates as at 31 December 2018 and 2017 are as follows:

Name of associate	Form of business structure	Country of incorporation	Proportion of nominal value of issued capital held by the Group indirectly		Principal activities
			2018	2017	
Asia Vigour (Holdings) Limited	Incorporated	British Virgin Islands	**49%**	49%	Investment holding
Process Automation (Sea) Pte Limited	Incorporated	Singapore	**36%**	36%	Sale of electroplating machines and spare parts

18. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2018 HK$'000	2017 HK$'000
Total assets	**11,961**	13,624
Total liabilities	**(5,438)**	(6,918)
Net assets	**6,523**	6,706
Dividends declared by an associate for the year	**–**	(850)
Group's share of net assets of associates	**2,348**	2,414
Revenue	**21,913**	22,063
Loss for the year	**(2,135)**	(1,017)
Group's share of results of associates for the year	**(769)**	(366)
Group's share of other comprehensive income of associates	**703**	434

Since prior year, the Group discontinued recognition of its share of losses of an associate. The unrecognised share of losses of the associate, extracted from the relevant management accounts of the associate, both for the year and cumulatively, are as follows:

	2018 HK$'000	2017 HK$'000
Unrecognised share of losses of an associate for the year	**15**	14
Accumulated unrecognised share of losses of an associate	**2,317**	2,302

19. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**50,125**	61,459

20. CONTRACT ASSETS/LIABILITIES

	31.12.2018 HK$'000	1.1.2018* HK$'000
Contract assets – current		
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**52,363**	108,559
Provision of services – repairs, maintenance and modification	**6,897**	–
	59,260	108,559
Contract liabilities – current		
Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery	**18,057**	10,193
Provision of services – repairs, maintenance and modification	**7,112**	8,817
	25,169	19,010

* The amounts in this column are after adjustments from the application of HKFRS 9 and 15.

Typical payment terms which impact on the amount of contract assets and contract liabilities recognised are as follows:

20. CONTRACT ASSETS/LIABILITIES *(Continued)*

Construction contracts in respect of design, manufacturing and sale of custom-built electroplating machinery and other industrial machinery

The Group's construction contracts include payment schedules which require milestone payments over the construction period once certain specified milestones are reached. The Group requires customers to provide upfront deposits as part of its credit risk management policies. The Group typically transfer the milestone payments to trade debtors when it becomes unconditional. The Group is entitled to receive the final acceptance payment upon the final acceptance of the completion of contract work by customers.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of the impairment assessment of contract assets are set out in note 33.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Provision of services – repairs, maintenance and modification

The Group would require the deposit before the commencement of the relevant services for certain contracts, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities income.

	Construction contracts	**Provision of services**
	HK$'000	HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	10,193	8,362

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000
Contracts in progress at the end of the reporting period:	
Contract costs incurred	653,126
Recognised profits	108,028
	761,154
Progress billings	(693,606)
	67,548
Represented by:	
Due from customers included in current assets	75,748
Due to customers included in current liabilities	(8,200)
	67,548

At 31 December 2017, there were no retention monies held by customers for contract work performed. At 31 December 2017, advances received from customers for contract work amounted to approximately HK$105,000 which were included in creditors and accrued charges.

22. DEBTORS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade debtors from contracts with customers	**84,795**	221,409
Less: Allowance for credit losses	**(12,457)**	(32,729)
	72,338	188,680
Other debtors and prepayments	**20,295**	27,735
	92,633	216,415

22. DEBTORS AND PREPAYMENTS *(Continued)*

As at 31 December 2018 and 1 January 2018, trade debtors from contracts with customers amounted to approximately HK$72,338,000 and HK$157,010,000 respectively.

The Group allows a general credit period of one to two months to its customers.

The following is an aged analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which is approximated the respective recognition dates for sales of goods and respective dates of the achievement of the relevant milestone as stipulated in the relevant construction or service contracts as appropriate:

	2018	2017
	HK$'000	HK$'000
0 – 60 days (note)	**34,600**	156,945
61 – 120 days	**18,720**	22,736
121 – 180 days	**2,381**	5,153
Over 180 days	**16,637**	3,846
	72,338	188,680

Note: As at 31 December 2018, unbilled milestone payments of approximately HK$11,694,000 arising from construction contracts which are unconditional as stipulated in the contracts are included in this band.

As at 31 December 2018, excluding the credit-impaired trade debtors balance, included in the Group's trade debtors balance are debtors with gross amount of approximately HK$30,645,000 in aggregate which are past due as at the reporting date. Out of the past due balances, approximately HK$12,650,000 has been past due 90 days or more and is not considered as in default as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history, no history of default of the relevant customers. The Group does not hold any collateral over these balances.

As at 31 December 2017, the trade debtors of approximately HK$156,945,000 were neither past due nor impaired. No significant counterparty default was noted in the past.

22. DEBTORS AND PREPAYMENTS *(Continued)*

Aging of trade debtors which are past due but not impaired:

	2017 HK$'000
Past due by:	
1 – 60 days	22,736
61 – 120 days	5,153
121 – 180 days	2,585
Over 180 days	1,261
	31,735

Movement in the allowance for bad and doubtful debts

	2017 HK$'000
Balance at beginning of the year	31,911
Allowance made on trade debtors	1,039
Written off against trade debtors	(221)
Balance at end of the year	32,729

As at 31 December 2017, included in the allowance for doubtful debts of approximately HK$32,729,000 are individually impaired trade debtors, which were in severe financial difficulties. The Group had provided fully for these debts.

Details of impairment assessment of trade debtors for the year ended 31 December 2018 are set out in note 33.

The trade debtors that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	Renminbi ("RMB") HK$'000	**Sterling Pound ("GBP")** HK$'000	**United States Dollars ("USD")** HK$'000	**Euro ("EUR")** HK$'000	**Canadian Dollars ("CAD")** HK$'000
As at 31 December 2018	**32**	**261**	**29,783**	**652**	**–**
As at 31 December 2017	–	–	116,318	–	78

23. HELD-FOR-TRADING INVESTMENTS

	2018 **HK$'000**	2017 HK$'000
Equity securities listed in Hong Kong	**29,131**	45,153

Held-for-trading investments, financial assets at FVTPL, as at 31 December 2018 and 2017 represent equity securities listed in Hong Kong. The fair values of the investments are determined based on the quoted market bid prices available on the Stock Exchange. The fair value of held-for-trading investments is classified as Level 1 of fair value hierarchy.

24. AMOUNTS DUE FROM ASSOCIATES

	2018 **HK$'000**	2017 HK$'000
Amounts due from associates		
Interest-bearing at Hong Kong prime rate plus 2% per annum	**1,975**	1,975
Less: Allowance for bad and doubtful debts	**(1,975)**	(1,975)
	–	–
Non-interest bearing	**42**	21
	42	21

The above balances are unsecured and repayable on demand.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances including saving deposits and time deposits carry interest at market rates ranging from 0.001% to 2.4% per annum (2017: 0.001% to 3.6% per annum). The pledged deposits carry fixed interest rate at 0.1% per annum (2017: 0.1% per annum). The pledged bank deposits represent deposits pledged to banks for the issuance of shipping guarantee by banks to the customers to the Group, and will be released upon expiry of such bank guarantee(s). Included in the bank balances and cash of the Group is an amount denominated in RMB of approximately HK$34,625,000 (2017: approximately HK$32,748,000), which are not freely convertible into other currencies.

The bank balances and pledged deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	USD	Australia Dollars ("AUD")	GBP	EUR	Taiwan Dollars ("NTD")	RMB	Philippine Peso ("PESO")	CAD
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018	**80,298**	**29**	**214**	**3,482**	**1,327**	**765**	**110**	**76**
As at 31 December 2017	78,275	318	53	11,529	1,330	125	115	773

26. CREDITORS AND ACCRUED CHARGES

	2018	2017
	HK$'000	HK$'000
Trade creditors	**87,133**	181,499
Accrued staff costs	**17,675**	17,731
Commission payables to sales agents	**14,650**	18,587
Other creditor and accrued charges (note)	**79,420**	100,838
Advances received from customers for contract work	**–**	105
Advances received from customers for services	**–**	8,817
	198,878	327,577
Less: Non-current portion of accrued charges (note)	**(48,092)**	(44,647)
	150,786	282,930

Note: As at 31 December 2018, the non-current payable portion of provision of approximately HK$48,092,000 (2017: HK$44,647,000) represents the provision of performance bonus to the executive directors of the Company. An imputed interest expense of approximately HK$1,696,000 (2017: HK$1,189,000) is charged to profit or loss during the current year. With the effective of the Supplemental Agreements, the estimated timing of payment of the non-current portion of provision is revised and an adjustment of provision for performance related incentive payments of approximately HK$2,335,000 was charged to profit or loss during the year ended 31 December 2017.

26. CREDITORS AND ACCRUED CHARGES *(Continued)*

The following is an aged analysis of trade creditors as at the end of the reporting period which is based on the invoice dates of the amounts due:

	2018 HK$'000	2017 HK$'000
0 – 60 days	**30,773**	51,790
61 – 120 days	**16,870**	43,841
121 – 180 days	**13,185**	30,020
Over 180 days	**26,305**	55,848
	87,133	181,499

The average credit period on purchase of goods is 60 – 120 days.

Creditors and accrued charges that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	USD HK$'000	AUD HK$'000	GBP HK$'000	EUR HK$'000	NTD HK$'000	RMB HK$'000	Japanese Yen ("JPY") HK$'000	CAD HK$'000
As at 31 December 2018	**17,761**	**98**	**351**	**3,631**	**43**	**22**	**324**	**940**
As at 31 December 2017	31,466	105	286	6,796	2,321	22	1,396	940

27. WARRANTY PROVISION

	2018 **HK$'000**	2017 HK$'000
At 1 January	**36,783**	33,317
Additional provision in the year	**6,631**	30,965
Utilisation of provision	**(6,776)**	(27,499)
At 31 December	**36,638**	36,783
Analysed for reporting purposes as:		
Current	**35,784**	31,609
Non-current	**854**	5,174
	36,638	36,783

The warranty provision represents the management's best estimation of the Group's liability under one to two years warranty granted on electroplating products, based on prior experience and industry averages for defective products.

28. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	426,463,400	4,265

29. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Revaluation of properties	Fair value adjustment of Deferred Consideration	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	1,239	3,076	255,519	259,834
Charge to profit or loss (note 9)	–	–	60,999	60,999
Currency realignment	–	–	20,715	20,715
At 31 December 2017	1,239	3,076	337,233	341,548
Adjustment (note 2.3)	–	–	(16,285)	(16,285)
At 1 January 2018	1,239	3,076	320,948	325,263
Charge to profit or loss (note 9)	–	–	51,982	51,982
Currency realignment	–	–	(16,798)	(16,798)
At 31 December 2018	1,239	3,076	356,132	360,447

At 31 December 2018, the Group had estimated unused tax losses of approximately HK$467,909,000 (2017: approximately HK$397,400,000) and other deductible temporary differences of approximately HK$29,329,000 (2017: approximately HK$28,850,000) available for offset against future profits. No deferred tax asset has been recognised due to the uncertainty of future profits streams. The tax losses may be carried forward indefinitely.

Starting from 1 January 2008, the tax law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the overseas shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits after 1 January 2008 amounting to approximately HK$1,237,357,000 (2017: approximately HK$1,109,324,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**12,482**	6,818
Within two to five years	**–**	334
	12,482	7,152

Operating lease payments represent rentals payable by the Group for its factory premises and staff quarters in the PRC. Leases are negotiated for five years and rentals are fixed for the leased period.

31. PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged bank deposits of approximately HK$3,315,000 (2017: approximately HK$3,236,000) to secure general banking facilities granted to the Group.

As at 31 December 2018, the Group utilised approximately HK$7,939,000 (2017: HK$5,707,000) of the banking facilities for the issuance of shipping guarantee by banks to the customers of the Group and import letters of credits by banks to the supplies of the Group.

32. RETIREMENT BENEFITS SCHEMES

Since 1 December 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income with a maximum monthly contribution of HK$1,500 per person. The contributions are charged to profit or loss as incurred. The Group's liability is limited to the monthly contributions to the fund.

The relevant PRC subsidiaries are required to make contributions to the state-managed schemes in the PRC based on a certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets at amortised cost/loans and receivables (including cash and cash equivalents)	**1,407,248**	1,505,155
Financial assets at FVTPL		
ACC	**308,481**	265,686
Held-for-trading investments	**29,131**	45,153
Financial liabilities		
Amortised cost	**198,878**	318,655

Financial risk management objectives and policies

The Group's major financial instruments include GCC, ACC, loan receivable, debtors, held-for-trading investments, amounts due from associates, pledged bank deposits, bank balances and cash, creditors and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases. The Group is therefore exposed to foreign currency risk. In addition, certain debtors, pledged bank deposits, bank balances, creditors and accrued charges are denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

The carrying amounts of the group's entities' foreign currency denominated monetary assets and monetary liabilities against their functional currency at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
AUD	**29**	318	**98**	105
CAD	**76**	851	**940**	940
EUR	**4,134**	11,529	**3,631**	6,796
GBP	**474**	53	**351**	286
NTD	**1,327**	1,330	**43**	2,321
USD	**110,081**	194,593	**17,761**	31,467
PESO	**110**	115	**–**	–
JPY	**–**	–	**324**	1,396
RMB	**797**	125	**22**	22

The carrying amounts of inter-company balances of certain group entities which were denominated in foreign currency are as follows:

	Assets	
	2018	2017
	HK$'000	HK$'000
HKD against RMB	**158,591**	145,105

The directors of the Company expect the foreign exchange exposure on USD against HKD to be minimal because HKD is pegged with USD under the Linked Exchange Rate System. Accordingly, no sensitivity analysis is presented for it.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in relevant foreign currencies against the functional currency of the relevant group entities. 10% (2017: 10%) is the sensitivity rate used that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2017: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit for the year where relevant currencies strengthen 10% (2017: 10%) against the functional currency of the relevant group entities. For a 10% (2017: 10%) weakening of relevant currencies against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	Profit or loss	
	2018	2017
	HK$'000	HK$'000
AUD against HKD	**(6)**	18
CAD against HKD	**(72)**	(7)
EUR against HKD	**42**	395
GBP against HKD	**10**	(19)
NTD against HKD	**107**	(83)
PESO against HKD	**9**	10
JPY against HKD	**(27)**	(117)
RMB against HKD	**65**	9
HKD against RMB	**13,242**	12,116

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate loan receivable as at 31 December 2018 (see note 17 for details). It is the Group's policy to keep its loan receivable at floating rate of interest so as to minimise the fair value interest rate risk.

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits and time deposits placed with banks (see note 25 for details). The Group has not used any derivative contracts to hedge this exposure to interest rate risk. The directors of the Company consider that the Group's exposure to fair value interest rate risk is not significant as the fixed-rate pledged bank deposits and time deposits are with short maturity period.

The Group currently does not have any interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the variable rate loan receivable at the end of the reporting period. The analysis is prepared assuming the amount of loan receivable outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2017: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2017:100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by approximately HK$660,000 (2017: approximately HK$600,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loan receivable.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Equity price risk

The Group is exposed to potential loss in market value resulting from an adverse change in prices through its quoted held-for-trading investments. Management manages this exposure by closely monitoring the performance of the investments and market conditions. Management will consider diversifying the portfolio of investments as they consider appropriate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks for held-for-trading investments at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2017: 10%) higher/lower the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by approximately HK$2,432,000 (2017: approximately HK$3,770,000) as a result of the changes in fair value of held-for-trading investments.

In the management's opinion, the above sensitivity analysis is unrepresentative of the inherent risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group is exposed to price risk on ACC (note 16) at 31 December 2018.

As at 31 December 2018, the Group is required to estimate the fair value of ACC with changes in fair value to be recognised in the profit or loss. The fair value will be affected either positively or negatively, amongst others, by the average unit rate of properties.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to other price risk for ACC at the end of the reporting period.

If the prices of the respective average unit rate of properties 10% higher/lower the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by approximately HK$23,136,000 (2017: approximately HK$20,151,000) as a result of the changes in fair value of ACC.

If the prices of the respective discount rate 1% higher/lower the Group's post-tax profit for the year ended 31 December 2018 would decrease/increase by approximately HK$7,244,000/HK$7,516,000 respectively (2017: approximately HK$7,998,000/HK$8,367,000 respectively) as a result of the changes in fair value of ACC.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's credit risk are primarily attributable to loan receivable, trade debtors, contract assets, GCC, ACC, other receivables, amounts due from associates, pledged bank deposits and bank balances.

As at 31 December 2018, apart from the gross amount of GCC and undiscounted gross amount of ACC of approximately HK$1,403,789,000 and HK$534,146,000 respectively, the Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at 31 December 2018 in relation to other items of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

Impairment assessment on financial assets and other items subject to ECL model

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ loan receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

The tables below detail the credit risk exposures of the Group's financial assets as at 31 December 2018, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross amount
					HK$'000
Financial assets at amortised cost					
Trade debtors from contracts with customers	22	N/A	(Note 1)	Lifetime ECL (not credit impaired and assessed individually and collectively)	
			High risk		1,275
			Medium risk		29,370
			Low risk		34,680
					65,325
	22	N/A	(Note 1)	Credit impaired	19,470
GCC	16	N/A	Low risk	12-month ECL (not credit impaired and assessed individually)	1,403,789
Loan receivable	17	N/A	Low risk	12-month ECL (not credit impaired and assessed individually)	66,000
Other receivables	22	N/A	Low risk	12-month ECL (not credit impaired and assessed individually)	9,019
Amounts due from associates	24	N/A	Low risk	12-month ECL (not credit impaired and assessed individually)	42
Pledged bank deposits	25	Aa3 to A1	N/A	12-month ECL (not credit impaired and assessed individually)	3,315
Bank balances and cash	25	Aa2 to A2	N/A	12-month ECL (not credit impaired and assessed individually)	141,477
Other items					
Contract assets	20	N/A	(Note 1)	Lifetime ECL (not credit impaired and assessed individually and collectively)	59,907
Loan commitment	17	N/A	Low risk (Note 2)	12-month ECL (not credit impaired and assessed individually)	64,000

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Notes:

1. For trade debtors and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group also assessed the ECL collectively for which debtors are grouped based on shared credit risk characteristics for assessment of potential increase in credit risk on a collective basis taking into consideration of forward-looking information that is available without undue costs or effort.

2. For the loan commitment, the gross carrying amount represents the maximum undrawn amount the Group has committed under the relevant loan facility agreement as set out in note 17.

The estimated loss rates are estimated based on historical credit loss experience of the debtors and are adjusted for forward-looking information (for example, the economics growth rates which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort or proxy to loss rates published by international credit-rating agency. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The internal credit rating categories are regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

For GCC and loan receivable, the estimated loss rates are estimated by the directors of the Company by making individual assessment on the recoverability of amount due based on the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate.

Trade debtors and contract assets

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. Under HKAS 39, impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade debtors and contract assets to provide for ECL prescribed by HKFRS 9.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Trade debtors and contract assets *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade debtors and contracts assets under the simplified approach.

	Trade debtors			Contract assets
	Lifetime ECL (non-credit–impaired)	**Lifetime ECL (credit–impaired)**	**Total**	**Lifetime ECL (non-credit–impaired)**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017, under HKAS 39	–	32,729	32,729	–
Adjustment upon application of HKFRS 9	143	406	549	747
As at 1 January 2018, as restated	143	33,135	33,278	747
Changes due to financial instruments recognised as at 1 January:				
– Transfer to lifetime ECL (credit-impaired)	(3)	3	–	–
– Amounts written off (note)	–	(21,864)	(21,864)	–
– Impairment losses reversed	(140)	(781)	(921)	(747)
– Impairment losses recognised	–	5	5	–
New financial assets originated or purchased	80	1,879	1,959	647
As at 31 December 2018	**80**	**12,377**	**12,457**	**647**

Note: During the year ended 31 December 2018, the Group reassessed the impaired receivables and considered that there is no realistic prospect of recovery, the relevant receivables of HK$21,864,000 were written off accordingly.

During the current year, the Group recognised approximately HK$943,000 impairment allowance (net of reversal).

The Group had concentration of credit risk as 67% (2017: 25%) of the total trade debtors as at 31 December 2018 was due from the Group's five largest trade debtors. The Group's five largest trade debtors are multi-national companies or well-established corporations. In order to minimise the credit risk of those receivables, management closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

GCC/loan receivable and loan commitment

Details of the GCC, and loan receivable and the related loan commitment are set out in note 16 and 17 respectively. At the end of the reporting period, the directors of the Company have assessed the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition of the GCC, and loan receivable and the related loan commitment. Accordingly, the loss allowance for the GCC, and loan receivable and the related loan commitment is measured at an amount equal to 12m ECL.

The total loan receivable and the related loan commitment as at 31 December 2018 was due from the Group's largest borrower. The GCC as at 31 December 2018 was due from the Project Company. In order to minimise the credit risk of those receivables, management closely monitored the recoverability of the amounts due. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The movement in the allowance for impairment in respect of GCC and loan receivable during the current year was as follows:

	GCC HK$'000	**Loan receivable** HK$'000
As at 31 January 2017, under HKAS 39	–	–
Adjustment upon application of HKFRS 9	65,140	1,680
As at 1 January 2018	65,140	1,680
Net remeasurement of loss allowance	9,638	(690)
Currency realignment	(3,374)	–
As at 31 December 2018	71,404	990

No loss allowance for the loan commitment was recognised in the profit or loss because the amount involved is insignificant.

Pledged bank deposits and bank balances

The Group's pledged bank deposits and bank balances are mainly deposited with banks in Hong Kong and the PRC. The Group had concentration of credit risk as 65% and 24% of the total bank balances as at 31 December 2018 was placed in the banks in Hong Kong and the PRC respectively (2017: 75% and 18% of the total bank balances in the banks in Hong Kong and the PRC respectively).

For the year ended 31 December 2018, the Group performed impairment assessment on pledged bank deposits and bank balances by reference to probability of default and loss given default by credit rating grades published by international credit-rating agencies and concluded that expected credit losses is insignificant.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment on financial assets and other items subject to ECL model (Continued)

Other receivables

The Group has taken into account the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition. The expected credit losses on other receivables is considered to be insignificant.

Amounts due from associates

The Group has assessed the financial position of the associates as well as the economic outlook of the industry in which the associates operate, and concluded that there has been no significant increase in credit risk since initial recognition. The expect credit losses on amounts due from associates is considered to be insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2018, the Group has unutilised banking facilities of approximately HK$94,361,000 (2017: approximately HK$126,593,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to settle. The table includes both interest and principal cash flows.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity risk tables

	Weighted average effective interest rate	On demand and less than 1 month	1 – 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2018							
Creditors and accrued charges	**–**	**89,111**	**44,991**	**16,685**	**51,016**	**201,803**	**198,878**
2017							
Creditors and accrued charges	–	137,662	77,753	58,301	49,025	322,741	318,655

Fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined. In particular, the valuation technique and inputs used, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, where Level 1 inputs are not available, the management of the Group work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

33. FINANCIAL INSTRUMENTS *(Continued)*

Fair value *(Continued)*

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of held-for-trading investments (listed in Hong Kong) are determined with reference to the quoted market bid prices available on the relevant exchange;
- the fair value of ACC is determined in accordance with discount cash flow method; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the gross carrying amount (before impairment allowance) of GCC, other financial assets and other financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurement recognised in the consolidated statement of financial position

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2018	2017			
(1) ACC as included in Deferred Consideration classified as derivative financial instruments	**Assets – HK$308,481,000**	Assets – HK$265,686,000	Level 3	Discount cash flow method The key inputs are average unit rate of the properties, discount rate and timing of cash flow of ACC	The average unit rate of the properties of RMB33,329 to RMB56,607 (2017: RMB33,329 to RMB55,000) per square meter and the discount rate of 15.82% (2017: 14.52%)
(2) Investments in equity securities listed in Hong Kong classified as held-for-trading investments	**Assets – HK$29,131,000**	Assets – HK$45,153,000	Level 1	Quoted bid prices in active market	Not applicable

33. FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	ACC as included in Deferred Consideration (Note 16)	
	2018	2017
	HK$'000	HK$'000
At 1 January	**265,686**	–
Recognition	**–**	193,657
Change in fair value	**57,258**	58,147
Currency realignment	**(14,463)**	13,882
At 31 December	**308,481**	265,686

There were no transfers among levels of the fair value hierarchy.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payables	**Interest payables**	**Amounts due to associates**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	–	–	34	34
Financing cash flows	(400)	(13)	(34)	(447)
Dividend declared	400	–	–	400
Interest expenses	–	13	–	13
At 31 December 2017	–	–	–	–
Financing cash flows	–	(3)	–	(3)
Interest expenses	–	3	–	3
At 31 December 2018	–	–	–	–

35. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2018 **%**	2017 %	
ATNT Global Investments Company Limited	Hong Kong	HK$2	**100**	100	Securities trading
ATNT Group Management Limited	Hong Kong	HK$2	**100**	100	Management services
台灣亞洲自動化設備股份有限公司	Taiwan	TWD10,000,000	**100**	100	Installation of electroplating machines and after sale services
Fast Richmate Limited	British Virgin Islands*	US$1	**100**	100	Investment holding
Happy Win Resources Limited	British Virgin Islands*	US$1	**100#**	100#	Investment holding
Longfaith Holdings Limited	British Virgin Islands*	US$1	**100**	100	Investment holding
Mega Core Investment Limited	British Virgin Islands*	US$100	**100**	100	Investment holding
Palcon International Limited	British Virgin Islands*	US$100	**60**	60	Investment holding
PAL Control Sdn. Bhd.	Malaysia	MYR2	**60**	60	Software development
PAL Europe Limited	Hong Kong	HK$2	**100**	100	Investment holding
PAL Finance Limited	Hong Kong	HK$2	**100**	100	Money lending
PAL SEA Limited	British Virgin Islands*	US$100	**100**	100	Investment holding

35. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/ country of incorporation/ registration	Issued and fully paid up ordinary share capital/ registered capital	Proportion of ownership interest attributable to the Company		Principal activities
			2018 **%**	2017 %	
PAL (Sea) Sdn. Bhd.	Malaysia	MYR300,000	**60**	60	Sale of electroplating machines
PAL Service Sdn. Bhd.	Malaysia	MYR50,002	**60**	60	Sale of electroplating machines and spare parts
PAL Surface Treatment Systems Limited	Hong Kong	HK$10,000	**100**	100	Sale of electroplating machines and spare parts
Process Automation (BVI) Limited	British Virgin Islands*	HK$110,000	**100#**	100#	Investment holding
Process Automation (China) Limited 寶盈科技(深圳)有限公司 (Wholly foreign-owned enterprise ("WFOE"))	PRC	HK$8,500,000	**100**	100	Design, manufacture and sale of electroplating machines
Process Automation (Europe) Limited	The United Kingdom	GBP1	**100**	100	Sale of electroplating machines
Process Automation International Limited ("PAIL")	Hong Kong	HK$2 (note)	**100**	100	Design, manufacture and sale of electroplating machines
Process Automation (Shenzhen) Limited 寶龍自動機械(深圳)有限公司 (WFOE)	PRC	HK$18,000,000	**100**	100	Design, manufacture and sale of electroplating machines
Rich Town Properties Limited	British Virgin Islands*	US$2	**100**	100	Property investment

35. PRINCIPAL SUBSIDIARIES *(Continued)*

* The subsidiaries operate in Hong Kong. The remaining subsidiaries operate in their places of incorporation.

\# The proportion of ownership interest directly attributable to the Company. The proportion of ownership interest attributable to remaining subsidiaries are indirectly attributable to the Company.

Note: At 31 December 2018 and 2017, PAIL had outstanding 11,000,000 non-voting deferred shares of HK$1 each which were held by Process Automation (BVI) Limited. The deferred shares carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of PAIL and practically carry no rights to participate in any distribution on winding up.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

36. RELATED PARTY TRANSACTION

During the year, the Group entered into the following transactions with associates:

	Trade sales and service rendered		**Trade purchases**		**Warranty expense**		**Installation expense**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	3,333	2,454	**46**	35	**436**	312	**1,803**	1,770

Details of the outstanding balances with associates are set out in note 24.

During the year ended 31 December 2018, the Group paid commission expense and other securities dealing expense from securities dealing of approximately HK$8,000 (2017: approximately HK$5,000) to Karl-Thomson Securities Company Limited, which is a wholly owned subsidiary of Hong Kong Finance Investment.

During the year ended 31 December 2018, the Group received interest income and handling fee income of approximately HK$3,538,000 and nil respectively (2017: approximately HK$2,182,000 and HK$390,000 respectively) from KTFG. Details of the loan receivable due from KTFG are set out in note 17.

36. RELATED PARTY TRANSACTION *(Continued)*

During the year ended 31 December 2018, the Group received rental income of approximately HK$163,000 (2017: approximately HK$163,000) and management income of approximately HK$259,000 (2017: approximately HK$275,000) from BioEm Air Sanitizing Technology Company Limited ("BioEm"). During the year, the Group also paid to BioEm for their products at a value of approximately HK$46,000 (2017: approximately HK$22,000) which was recorded as administrative expense. Mr. Lam Kwok Hing, an executive director and the ultimate controlling shareholder of the Company, through his private investment vehicle, Excel Dragon Investment Limited, holds 40% indirect interest in BioEm and acts as a corporate director of BioEm.

The remuneration of directors and other members of key management of the Group during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other short-term employee benefits	**17,206**	27,177
Retirement benefits costs	**126**	126
	17,332	27,303

The details of the performance incentive payments to the executive directors are set out in note 11.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend, and the terms of the relevant services contracts.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY AT 31 DECEMBER 2018

Statement of financial position

	2018 HK$'000	2017 HK$'000
Non-current assets		
Interests in subsidiaries	**47,286**	47,286
Amounts due from subsidiaries	**28,808**	86,892
	76,094	134,178
Current assets		
Amounts due from subsidiaries	**109,812**	46,729
Amounts due from associates	**42**	21
Other debtors and prepayments	**60**	60
Bank balances	**1,680**	1,561
	111,594	48,371
Current liabilities		
Creditors and accrued charges	**1,099**	1,049
Amounts due to subsidiaries	**81,066**	68,647
	82,165	69,696
Net current assets (liabilities)	**29,429**	(21,325)
	105,523	112,853
Capital and reserves		
Share capital	**4,265**	4,265
Reserves	**53,166**	63,941
Total equity	**57,431**	68,206
Non-current liabilities		
Accrued charges	**48,092**	44,647
	105,523	112,853

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY AT 31 DECEMBER 2018 *(Continued)*

Movement of the Company reserves

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2017	28,500	78,447	(23,864)	83,083
Loss and total comprehensive expense for the year	–	–	(19,142)	(19,142)
Balance at 31 December 2017	28,500	78,447	(43,006)	63,941
Adjustment (note)	–	–	2,443	2,443
Balance at 1 January 2018	28,500	78,447	(40,563)	66,384
Loss and total comprehensive expense for the year	–	–	(13,218)	(13,218)
Balance at 31 December 2018	28,500	78,447	(53,781)	53,166

Note: In the current year, the Company has applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs. Apart from adjustment of HK$2,443,000 was made to the accumulated losses at 1 January 2018, there was no other material impact on the Company's statement of financial position upon adoption of those new standards.

Financial Summary

RESULTS

	Year ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000 (note)**
Revenue	558,316	423,806	601,898	800,966	**342,750**
Profit (loss) for the year attributable to:					
Owners of the Company	9,892	29,013	761,996	209,483	**84,513**
Non-controlling interests	1,469	488	375	553	**(44)**
	11,361	29,501	762,371	210,036	**84,469**

ASSETS AND LIABILITIES

	At 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018 HK$'000 (note)**
Total assets	568,269	570,711	1,632,256	2,027,105	**1,905,474**
Total liabilities	(277,140)	(269,148)	(613,195)	(722,361)	**(626,275)**
	291,129	301,563	1,019,061	1,304,744	**1,279,199**
Equity attributable to owners of the Company	289,237	299,246	1,018,699	1,304,191	**1,278,693**
Non-controlling interests	1,892	2,317	362	553	**506**
	291,129	301,563	1,019,061	1,304,744	**1,279,199**

Note: In the current year, the Group has applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs (see note 2 of the Notes to the Consolidated Financial Statements section for the summary of the corresponding financial impact). Accordingly, certain comparative information for the years ended 31 December 2014, 2015, 2016 and 2017 may not be comparable to the year ended 31 December 2018 as such comparative information was prepared under HKAS 18, HKAS 11 and HKAS 39. Accounting policies resulting from application of HKFRS 15 and HKFRS 9 are disclosed in the "Significant Accounting Policies" Section in the consolidated financial statements.